



September 2022

August's TEU Tallies: What We Know So Far

Longtime readers will understand that we don't make *a priori* guesses about how many containers will arrive or depart each month. Instead, we report what the ports we monitor tell us. Unfortunately, in some cases, they don't tell us anything by the time we have to wrap up this newsletter. So, here's what we know right now about August.

It was a good month for clearing out the backlog at the **Port of Los Angeles**. The month saw the fewest number of inbound laden TEUs of any month this year and the fewest in any August dating back to 2014. The 403,602 inbound loads that crossed its docks were down 16.9% from both July's 485,452 TEUs and last August's 485,672 TEUs. Outbound loads (102,319 TEUs) were up 1.0% from a year ago. However, reflecting the port's steadily diminishing role as an export terminal for containerized American goods, total outbound loads YTD added up to 833,049 TEUs, the lowest volume in seventeen years (i.e., since 2005). The number of empty outbound TEUs in August also plunged to 297,329, down 18.4% from a year earlier. Total container traffic (loads and empties) through "America's Port" in

August (805,315 TEUs) was not only at the lowest level this year, it was the lowest in any August since 2016.

Most remarkably, it was also 1,625 fewer total TEUs than the neighboring **Port of Long Beach** handled in August, temporarily at least making Long Beach the nation's busiest container port. August saw dockworkers and terminal operators at Long Beach handle 384,530 inbound loaded TEUs, a 2.2% increase over the preceding month but down 5.6% from a year earlier. Outbound loads (121,408 TEUs) were up 11.0% from July and 1.6% over last August. Outbound empties were higher by 7.5% y/y to 288,558 TEUs. Altogether, the port handled a total of 806,940 TEUs, 764 fewer TEUs than it processed in August of last year.

Together, the two ports on San Pedro Bay dispatched 788,132 inbound loads in August, an 11.8% falloff from a year earlier but also down 10.5% from August 2020. Outbound loads at the neighboring ports amounted to 223,727 TEUs, up 1.3% y/y but down 13.2% from August 2020. YTD, inbound loads (6,968,952 TEUs) were up just 1.1% from the previous August, while outbound loads (1,774,461 TEUs) were off by 3.4% y/y. The ports continued to excel in the shipment of outbound empty containers. YTD, the two ports sent 5,000,734 TEUs overseas without contents. That was 5.0% over last year at this point and 65.0% above 2020's first eight months.

There's really no way of putting a positive spin on August's numbers at the **Port of Oakland**. The 87,844 inbound TEUs handled by the Northern California gateway, still reeling from a trucker protest that shut the port down for the better part of a week in late July, was the fewest in any August since 2018, while the number of outbound loads (67,838 TEUs) was the fewest in any August going all the way back to 2003. Total container traffic in August (211,123 TEUs) was at its lowest mark since August 2014. YTD, the port has handled a total of 1,602,276 loaded and empty TEUs, the lowest volume of container trade the port has experienced in the first eight months of any year since 2016.



Photo courtesy of Port of Oakland



OUR OAKLAND OFFICE HAS MOVED:
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August's TEU Tallyies Continued

The story was not any brighter at the **Port of Tacoma** and **Seattle**. The two ports, operating as the **Northwest Seaport Alliance**, blamed "reduced vessel calls" and "high inventories" for August's dismal numbers. Import loads (102,157 TEUs) in August were not just merely down by 11.1% from a year earlier, they were the fewest recorded in any August dating back to 2014, when the two ports began operating jointly. The same was true for export loads (48,563 TEUs) in August, which were down by 9.9% y/y but were also the lowest number of export loads the two ports have reported in any August since 2014. (Note: NWSA is the only port authority that publicly distinguishes its international container trade from its domestic traffic with Alaska and Hawaii.)

Over the border, the **Port of Vancouver** handled 178,072 inbound loads in August, down 1.5% from a year earlier. This was something of an improvement; YTD inbound loads at Canada's largest seaport are down 1.6%. Outbound loads (59,156 TEUs) plummeted by 23.6% from a year ago. Worse, outbound loads YTD (460,200 TEUs) are down by 27.7% from this point last year. Outbound empties in August, however, were up 22.6% to 94,317 TEUs from last August.

The **Port of Prince Rupert** posted a highly unusual 35.2% y/y leap in inbound loads in August to 57,831 TEUs. Still, that was down by 15.0% from August 2020 and by 19.1% from pre-pandemic August 2019. Outbound loads (12,061 TEUs) were down 6.1% y/y, while total container traffic YTD (701,265 TEUs) was up 1.8% from this point a year ago.

The picture brightens intensely as we head east.

The **Port of Virginia** posted an 11.4% y/y bump in inbound loads in August to 160,673 TEUs. Outbound loads (95,745 TEUs) were similarly up by 12.3% from a year earlier.

Counting all containers both laden and empty, August saw the port handled 340,926 TEUs, a 12.6% gain over last August. YTD, total container traffic at the port totaled 2,512,639 TEUs, up 10.1% from this point a year ago.

At **Savannah**, the nation's fourth busiest container port, inbound loads in August totaled 290,915 TEUs, up 15.6% from July and up 20.4% from a year earlier. Outbound loads (119,192 TEUs) were up 4.5% from last August. Total traffic of loads and empties at the Georgia port in August amounted to 575,513 TEUs, 18.5% more than a year earlier. That made this August the port's busiest month ever. YTD, the port has handled 3,997,405 TEUs, 8.7% more than in the first eight months of last year.

The **Port of Houston** reported a 12.7% bump in inbound loads to 180,132 TEUs over both the 159,881 TEUs that arrived in the preceding month and the 159,791 TEUs that turned up in August of last year. Even more impressive was the 36.4% jump in outbound loads to 16,841 TEUs, the highest number of outbound loads the Texas gateway has shipped since January 2020 and the most in any August in the port's history. Year-to-date, Houston has moved a total of 2,680,405 TEUs, a 17.2% increase over last year at this point.

We conclude by noting that the National Retail Federation's Global Port Tracker expects August to bring 2.17 million TEUs of import loads to the thirteen American seaports it monitors. If true, that would be down 4.3% from a year earlier.

NUMBER
OF THE MONTH



41.9%

Pistachio exports rose 41.9% y/y, while domestic shipments fell by 5.8%.



For the Record: The Incomplete July TEU Numbers

Exhibit 1 displays the admittedly incomplete inbound loaded TEU numbers for July 2022. Although it's nearly October, two of the twenty North American ports that normally provide us with comparable container traffic statistics have yet to report their July TEU tallies. Inbound loaded TEUs at the seven USWC ports we monitor were down 4.6% from a year earlier. A nearly weeklong trucker protest that impeded operations at the Port of Oakland was partly to blame. Other than the tardy Ports of Maryland and Jacksonville, the remaining USEC ports we track posted a 2.3% gain in inbound loads over last July.

Maybe the most interesting statistic here is that the Port of New York/New Jersey (PNYNJ) topped the Port of Long Beach but remained well behind the Port of Los Angeles in inbound loads. The next most interesting bit of data is that July inbound loads at the congested Port of Charleston were down 12.2% year-over-year after experiencing a 14.7% y/y falloff in June.

Compared with June, PNYNJ sustained an 8.6% falloff in inbound loads in July, while the two San Pedro Bay ports eked out a 0.1% gain. Savannah enjoyed a 6.5% bump, and Houston managed a 1.3% gain.

This wasn't expected to happen. In an outlook published on August 8, the National Retail Federation's Global Port Tracker anticipated that 2.26 million loaded TEUs would arrive in July at the 13 U.S. ports it monitors. That would have been a 3.2% increase over a year earlier. Instead, apart from Jacksonville, the GPT's ports report having handled 2,158,380 inbound laden TEUs in July, a 0.6% decline from a year earlier.

Another box counter, The McCown Report, anticipated a slender 0.7% gain in inbound loads at the nation's ten largest ports in the month of July. As it turned out, though, those ten ports handled 0.3% fewer inbound loads than they had in July 2021.

Exhibit 2 presents the numbers on outbound loaded TEUs in July. The proliferation of minus signs paints a discouraging picture. USEC ports continue to dominate the nation's container export business, handling more loaded TEUs than their USWC rivals. The Port of Savannah maintained its top ranking in export loads for the second straight month. On a YTD basis, Savannah's 796,825 outbound loaded TEUs fell behind the Port of Long Beach (820,004 TEUs). PNYNJ was third with 761,447 TEUs, followed by Los Angeles (730,730 TEUs) and Houston (704,311 TEUs). Still, the two San Pedro Bay ports did see a 2.0% increase in outbound loads from June to July. Meanwhile, outbound loads in July at PNYNJ were down by 12.8% from the previous month.

Exhibit 3 shows the total (full + empty) YTD container traffic over the first seven months of 2022. Please note that we are pleased to add Alabama's Port of Mobile to the ranks of ports whose total container traffic numbers we report.

Weights and Values

Here we offer an alternative to the customary TEU metric for gauging containerized trade. The percentages in **Exhibits 4 and 5** are derived from data compiled by the U.S. Commerce Department from documentation submitted by the importers and exporters of record.

We Make Cargo Move



**The Port
OF HUENEME**



Exhibit 1

July 2022 - Inbound Loaded TEUs at Selected Ports

	Jul 2022	Jul 2021	% Change	Jul 2020	% Change	Jul 2022 YTD	Jul 2021 YTD	% Change	Jul 2020 YTD	% Change
Los Angeles	485,452	469,361	3.4%	456,029	6.5%	3,233,259	3,303,573	-2.1%	2,406,663	34.3%
Long Beach	376,175	382,940	-1.8%	376,807	-0.2%	2,836,580	2,698,111	5.1%	2,036,774	39.3%
San Pedro Bay Total	861,627	852,301	1.1%	832,836	3.5%	6,069,839	6,001,684	1.1%	4,443,437	36.6%
Oakland	69,463	94,745	-26.7%	96,420	-28.0%	611,501	639,387	-4.4%	550,782	11.0%
NWSA	88,502	127,166	-30.4%	103,389	-14.4%	786,798	877,271	-10.3%	669,198	17.6%
Hueneme	12,119	8,828	37.3%	5,482	121.1%	82,429	53,470	54.2%	28,607	188.1%
San Diego	7,898	6,636	19.0%	5,656	39.6%	47,434	46,972	1.0%	44,205	7.3%
USWC Total	1,039,609	1,089,676	-4.6%	1,043,783	-0.4%	7,598,001	7,618,784	-0.3%	5,736,229	32.5%
Boston	9,042	6,758	33.8%	12,242	-26.1%	41,338	61,517	-32.8%	79,500	-48.0%
NYNJ	402,969	393,945	2.3%	326,079	23.6%	2,916,584	2,635,125	10.7%	2,034,810	43.3%
Maryland	n/a	37,626	n/a	46,471	n/a	n/a	295,574	n/a	289,066	n/a
Virginia	149,829	142,963	4.8%	105,692	41.8%	1,031,876	935,687	10.3%	694,745	48.5%
South Carolina	104,846	119,445	-12.2%	81,530	28.6%	830,952	728,461	14.1%	562,138	47.8%
Georgia	251,761	227,876	10.5%	185,548	35.7%	1,671,276	1,591,599	5.0%	1,174,123	42.3%
Jaxport	n/a	21,813	n/a	28,867	n/a	n/a	192,516	n/a	n/a	n/a
Port Everglades	29,664	30,831	-3.8%	22,108	34.2%	234,407	209,252	12.0%	167,979	39.5%
Miami	39,838	44,345	-10.2%	33,029	20.6%	308,436	323,459	-4.6%	227,907	35.3%
USEC Total	n/a	1,025,602	n/a	841,566	n/a	n/a	6,973,190	n/a	5,230,268	n/a
New Orleans	13,166	9,702	35.7%	11,210	17.4%	69,933	74,594	-6.2%	80,874	-13.5%
Houston	159,881	137,197	16.5%	102,339	56.2%	1,076,509	886,643	21.4%	672,057	60.2%
USGC	173,047	146,899	17.8%	113,549	52.4%	1,146,442	961,237	19.3%	752,931	52.3%
Vancouver	155,914	138,538	12.5%	160,875	-3.1%	1,103,137	1,121,796	-1.7%	951,179	16.0%
Prince Rupert	32,925	57,743	-43.0%	64,640	-49.1%	304,727	307,831	-1.0%	336,891	-9.5%
British Columbia Total	188,839	196,281	-3.8%	225,515	-16.3%	1,407,864	1,429,627	-1.5%	1,288,070	9.3%
USWC/BC Total	1,228,448	1,285,957	-4.5%	1,269,298	-3.2%	9,005,865	9,048,411	-0.5%	7,024,299	28.2%

Source Individual Ports



Exhibit 2

July 2022 - Outbound Loaded TEUs at Selected Ports

	Jul 2022	Jul 2021	% Change	Jul 2020	% Change	Jul 2022 YTD	Jul 2021 YTD	% Change	Jul 2020 YTD	% Change
Los Angeles	103,899	91,400	13.7%	126,354	-17.8%	730,730	755,276	-3.2%	874,464	-16.4%
Long Beach	109,411	109,951	-0.5%	138,602	-21.1%	820,004	861,692	-4.8%	872,823	-6.1%
San Pedro Bay Totals	213,310	201,351	5.9%	264,956	-19.5%	1,550,734	1,616,968	-4.1%	1,747,287	-11.2%
Oakland	47,166	68,153	-30.8%	71,525	-34.1%	450,210	527,202	-14.6%	534,043	-15.7%
NWSA	40,697	48,893	-16.8%	56,547	-28.0%	322,617	420,744	-23.3%	467,886	-31.0%
Hueneme	2,186	1,784	22.5%	1,370	59.6%	22,540	12,968	73.8%	7,149	215.3%
San Diego	993	370	168.4%	202	391.6%	7,034	3,377	108.3%	1,874	275.3%
USWC Totals	304,352	320,551	-5.1%	394,600	-22.9%	2,353,135	2,581,259	-8.8%	2,758,239	-14.7%
Boston	3,462	5,420	-36.1%	8,692	-60.2%	19,144	43,237	-55.7%	42,491	-54.9%
NYNJ	95,823	111,159	-13.8%	102,740	-6.7%	761,447	810,410	-6.0%	762,352	-0.1%
Maryland	n/a	19,304	n/a	17,528	n/a	n/a	147,860	n/a	124,030	n/a
Virginia	85,170	81,067	5.1%	68,594	124.2%	622,535	622,256	0.04%	534,426	16.5%
South Carolina	49,309	65,655	-24.9%	57,628	-14.4%	380,913	495,684	-23.2%	446,963	-14.9%
Georgia	122,928	119,072	3.2%	112,464	9.3%	796,825	859,049	-7.2%	857,698	-7.1%
Jaxport	n/a	51,598	n/a	48,254	n/a	n/a	343,113	n/a	282,547	n/a
Port Everglades	33,851	32,390	4.5%	25,867	30.9%	237,875	223,797	6.3%	189,857	25.3%
Miami	25,032	28,003	-10.6%	28,930	-13.5%	186,622	203,793	-8.4%	207,188	-9.9%
USEC Totals	n/a	513,668	n/a	470,697	n/a	n/a	3,749,199	n/a	3,447,552	n/a
New Orleans	23,404	18,148	29.0%	21,458	9.1%	135,486	156,548	-13.5%	165,174	-18.0%
Houston	102,644	75,457	36.0%	98,509	4.2%	704,311	633,555	11.2%	733,098	-3.9%
USGC Totals	126,048	93,605	34.7%	119,967	5.1%	839,797	790,103	6.3%	898,272	-6.5%
Vancouver	55,573	60,272	-7.8%	87,432	-36.6%	401,044	559,222	-28.3%	616,088	-34.9%
Prince Rupert	9,539	12,142	-21.4%	15,740	-39.4%	83,365	94,076	-11.4%	116,296	-28.3%
British Columbia Totals	65,112	72,414	-10.1%	103,172	-36.9%	484,409	653,298	-25.9%	732,384	-33.9%
USWC/BC Total	369,464	392,965	-6.0%	497,772	-25.8%	2,837,544	3,234,557	-12.3%	3,490,623	-18.7%

Source Individual Ports



Exhibit 3

July 2022 YTD Total TEUs

	Jul 2022 YTD	Jul 2021 YTD	% Change	Jul 2020 YTD	% Change
Los Angeles	6,349,326	6,318,674	0.5%	4,618,277	37.5%
Long Beach	5,792,621	5,538,674	4.6%	4,186,116	38.4%
San Pedro Bay Ports	12,141,947	11,857,348	2.4%	8,804,393	37.9%
NYNJ	5,679,626	5,153,882	10.2%	3,973,088	43.0%
Georgia	3,421,892	3,190,460	7.3%	2,452,098	39.5%
Houston	2,225,563	1,905,414	16.8%	1,662,546	33.9%
Virginia	2,171,714	1,974,825	10.0%	1,495,143	45.3%
Vancouver	2,109,078	2,209,685	-4.6%	1,868,038	12.9%
NWSA	2,067,304	2,191,059	-5.6%	1,834,653	12.7%
South Carolina	1,652,794	1,579,915	4.6%	1,273,190	29.8%
Oakland	1,391,153	1,513,178	-8.1%	1,387,268	0.3%
Montreal	1,020,046	1,001,873	1.8%	949,482	7.4%
JaxPort	n/a	827,735	n/a	707,121	n/a
Miami	709,008	738,474	-4.0%	580,123	22.2%
Port Everglades	654,381	617,261	6.0%	533,415	22.7%
Prince Rupert	587,224	599,654	-2.1%	585,527	0.3%
Maryland	n/a	600,060	n/a	585,965	n/a
Philadelphia	443,613	417,716	6.2%	357,300	24.2%
Mobile	316,473	281,465	12.4%	223,321	41.7%
New Orleans	256,641	307,886	-16.6%	341,944	-24.9%
Hueneme	156,477	123,838	26.4%	104,372	49.9%
San Diego	95,281	91,669	3.9%	88,101	8.1%
Portland, Oregon	86,024	49,051	75.4%	28,882	197.8%
Boston	77,731	125,646	-38.1%	155,507	-50.0%

Source Individual Ports



July 2022 TEU Numbers Continued

Commerce then makes public the statistics with a time-lag of about five weeks. Note that we have recently introduced a new row of numbers to reflect the fact that, although the Big Five USWC ports continue to handle the vast majority of the container trade passing through America's Pacific Coast ports, there is slightly more to the story.

Exhibit 4 testifies to the long-term decline in the USWC share of containerized imports through mainland U.S. ports in July. As expected, the past year has seen an increased share of the import tonnage entering U.S.

Exhibit 4

Major USWC Ports Shares of U.S. Mainland Ports Worldwide Container Trade, July 2022

	Jul 2022	Jun 2022	Jul 2021
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Shares of U.S. Mainland Ports Containerized Import Tonnage

USWC	34.7%	36.8%	37.7%
LA/LB	25.4%	26.2%	27.1%
Oakland	3.3%	4.7%	4.0%
NWSA	3.5%	3.7%	4.8%

Shares of U.S. Mainland Ports Containerized Import Value

USWC	41.5%	41.5%	43.4%
LA/LB	33.0%	33.1%	33.0%
Oakland	2.6%	3.2%	3.1%
NWSA	4.5%	4.0%	5.8%

Shares of U.S. Mainland Containerized Export Tonnage

USWC	33.8%	33.7%	33.9%
LA/LB	19.4%	20.4%	18.4%
Oakland	5.5%	6.2%	7.0%
NWSA	5.9%	5.5%	6.6%

Shares of U.S. Mainland Containerized Export Value

USWC	27.4%	27.2%	29.5%
LA/LB	17.2%	16.9%	17.3%
Oakland	5.4%	6.1%	7.3%
NWSA	3.9%	3.1%	4.0%

Source: U.S. Commerce Department.

mainland ports from all countries bypassing the principal USWC ports. On the other hand, the Ports of Los Angeles and Long Beach increased their combined share of containerized export tonnage to 19.4% from 18.4% a year ago.

Exhibit 5 displays the USWC shares of U.S. containerized trade with East Asia in July. The numbers on the import side are not surprising. What is intriguing, though, is the year-over-year jump to 35.8% from 31.6% in the San Pedro Bay ports' combined share of the nation's containerized export tonnage to East Asia. That was paralleled by a

Exhibit 5

Major USWC Ports Shares of U.S. Mainland Ports Containerized Trade with East Asia, July 2022

	Jul 2022	Jun 2022	Ju1 2021
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Shares of U.S. Mainland Ports Containerized Import Tonnage

USWC	55.2%	55.6%	58.6%
LA/LB	43.5%	44.1%	46.4%
Oakland	3.7%	4.1%	3.9%
NWSA	6.1%	6.0%	7.5%

Shares of U.S. Mainland Ports Containerized Import Value

USWC	61.1%	61.3%	64.8%
LA/LB	49.7%	50.4%	51.3%
Oakland	3.1%	3.6%	3.4%
NWSA	6.8%	6.1%	8.7%

Shares of U.S. Mainland Containerized Export Tonnage

USWC	58.5%	57.2%	54.0%
LA/LB	35.8%	37.3%	31.6%
Oakland	8.6%	8.7%	9.9%
NWSA	11.0%	10.0%	10.9%

Shares of U.S. Mainland Containerized Export Value

USWC	56.1%	53.4%	57.1%
LA/LB	37.4%	35.5%	34.9%
Oakland	9.1%	9.8%	12.8%
NWSA	8.7%	6.7%	8.2%

Source: U.S. Commerce Department.



July 2022 TEU Numbers Continued

more modest increase in the declared value of those shipments to 35.5% from 33.8%.

TEUs at Prince Rupert

The Port of Prince Rupert in British Columbia has been something of a puzzle. Opened with aspirations of becoming a major container port, it has lately dawdled. Inbound loads, which were rising until peaking at 678,899 TEUs in 2019, then went into decline. Through August of this year, inbound loads (362,558 TEUs) are down 17.1% from the same period in pre-pandemic 2019 and are also off by 10.5% from the first eight months of plague-riddled 2020. Only a very unusual 35.2% y/y bump this August kept the port from posting another y/y decline.

The port's traffic in outbound loads has been even less impressive. The port's peak year for outbound loads was 2018, when it shipped 207,111 laden TEUs overseas. Through August of this year, outbound loads (95,428 TEUs) are down 30.1% from the same period in that banner year. So far this year, outbound loads are off by 10.7% from the first eight months of last year.

Where the port has excelled is in the category of outbound empty containers. Through August, 2022 has seen the highest number of empty outbound TEUs (243,261) in the port's history.

The Dream of Ezunial Burts

Many years ago, soon after LA Mayor Tom Bradley reached outside the Port of Los Angeles bureaucracy to appoint Ezunial Burts to head the city's port, the new executive director told Jock O'Connell, then the Lieutenant Governor's representative on the powerful, three-member California State Lands Commission, that he aimed to poach more and more of the Central Valley's agricultural export trade from the Port of Oakland. At the time, produce grown north of Visalia would generally be shipped abroad through the Northern California port, while LA (and the Port of Long Beach) had a geographic advantage in serving agricultural shippers south of Tulare.

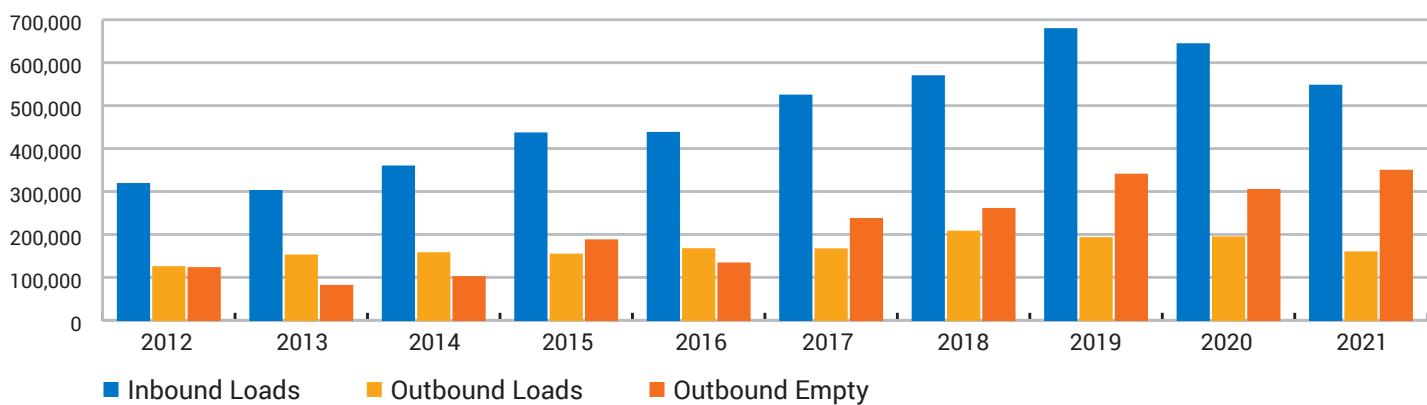
Things did not work out quite as Mr. Burts had hoped. Over time, Oakland's share of the volume of California's exports of Edible Fruits & Nuts (Harmonized Code 08) increased at the expense of its Southern California rivals. Between 2010 and 2021, HS 08 tonnage through Oakland grew by 55.5%, while tonnage through the San Pedro Bay ports declined by 12.9%.

Of late, though, a serious effort appears to be underway to realize Burts' ambition, although the initiative is now coming from Central Valley almond and walnut shippers frustrated with service at the Port of Oakland.

Led by Blue Diamond, the Sacramento-based almond co-

Exhibit 6 TEU Traffic at Port of Prince Rupert: 2012-2021

Source: Port of Prince Rupert





July 2022 TEU Numbers Continued

op, exporters have aligned themselves with a new rail link known as the "Almond Express" to deliver their shipments to the Southern California ports.

At the same time, walnut growers (and some rice exporters) have reportedly been looking into sending their commodities to the Southern California ports via a rail hub at Oakdale, a town northeast of Modesto.

The use of trains to move containers from the Central Valley to the San Pedro Bay ports is not a new idea. But the fact that it perennially remains just that -- a new idea -- suggests it still has some where to go to demonstrate its economical and logistical feasibility.

That does not mean, though, that almond and walnut shipments have not been steadily migrating south. Even before the trucker protest effectively shut down Oakland for a few days in July, the Bay Area's share of the almond export trade had been falling off while the Los Angeles-Long Beach share has been rising. In June, Oakland held a 77.2% share of almond export tonnage, down an 85.4% share a year earlier. Meanwhile, the Los Angeles-Long Beach share rose to 20.5% from 14.1% the previous June.

Still, Oakland's share of walnut exports has remained steady. This June's share (94.4%) was essentially even with its 94.2% share a year earlier. The Southern California ports share of the trade did rise, but only from 0.7% in June 2021 to 2.4% this June.

As the percentage shares indicate, talk of diverting massive shipments of almonds or walnuts to East or Gulf Coast ports remains largely aspirational. To be sure,

recent months have seen increased volumes of the tree nuts moving broad through alternate ports. Norfolk and Houston have lately been seeing intermittent shipments of walnuts, with each handling around 100 metric tons in July or 2.2% of all U.S. walnut exports that month. Norfolk's share of almond export tonnage in July was 2.3%, up impressively from zero percent a year earlier. Houston's 0.8% share in July was up from its 0.2% share in July 2021.

California Tree Nut Exports

While we're talking nuts (and still listening to the persistent laments of tree nut growers about the raw deal they've allegedly been getting from "foreign-owned" ocean carriers), let's review the latest export numbers as reported by the California Almond Board, the California Walnut Board, and the Administrative Committee for Pistachios. Almond exports in August were up 15.7% from a year ago, while domestic shipments slipped by 1.7%. Walnut exports in August soared by 52.8% over last August, while domestic shipments declined by 4.8%. Finally, pistachio exports rose 41.9% y/y, while domestic shipments fell by 5.8%. There's a pattern there.

The Falling Off the Cliff Kerfuffle

Back in June, *FreightWaves* infamously predicted that containerized imports from Asia to the U.S. would soon "fall off the cliff". Since then, other observers, most notably the trade gurus at the *Journal of Commerce*, have taken pains to disparage that grim outlook. Headlines such as "Gains in July US imports from Asia debunk 'cliff' speculation" have occasionally adorned the *Journal's* periodic trade updates.

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July 2022 TEU Numbers Continued

We certainly appreciate the urge to discredit errant forecasts. But, in this instance, we can't help but think that imports really should have fallen off the cliff.

After all, the last couple of months have brought a surfeit of published accounts of retailers large and small saddled with excessive and costly inventories, a reflection of the bad guesses they made earlier this year when they placed import orders. Now comes word that Amazon has been significantly retrenching. According to a report earlier this month from Bloomberg, the e-tail giant has "either shuttered or killed plans to open 42 facilities totaling almost 25 million square feet of usable space." Meanwhile, the opening of an additional 21 facilities, totaling almost 28 million square feet, have been reportedly delayed.

Amazon CEO Andy Jassy told Bloomberg back in June that the company had opted in early 2021 to build [its logistics network] toward "the high end of its forecasts for shopper demand." Apparently, though, erring on the side of having too much warehouse space rather than too little has not exactly paid off.

As this newsletter has consistently and perhaps annoyingly maintained, it's not consumers but rather retailers who decide what and how much to import. So, in the past few months, supply chains – and especially the nation's seaports – have had to endure the overloads caused by mistaken predictions about what and how much you and I would ultimately buy. After all, those new

fulfilment centers and distribution facilities retailers were building at a feverish pace all needed to be stocked with merchandise.

In retrospect, then, we all might be better off had imports from Asia, while not necessarily falling off a cliff, had at least sustained a mighty big dip.

Eastward Ho!

We've seen several articles in the logistics press lately about the congestion at East and Gulf Coast container ports. Typical of these reports is one that contended: "The shift in import volumes continued a trend that began earlier this year when retailers looked to avoid West Coast ports to mitigate the risk of potential disruption from ongoing longshore labor talks."

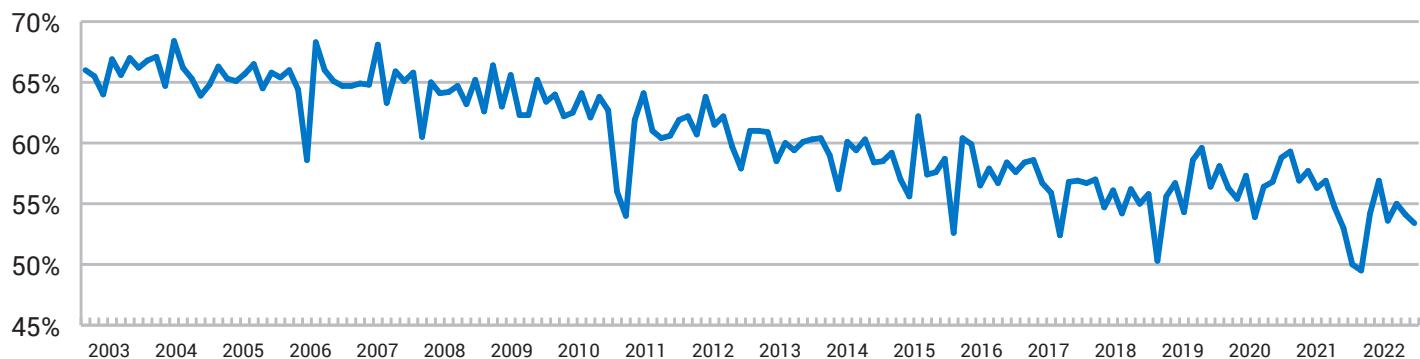
We can certainly understand that motivation. What we don't understand is the claim that the trend began *earlier this year*.

Most of us were under the impression the shift away from USWC ports had actually started back when many of today's journalists were writing for their high school newspapers. So, to put matters in perspective, we helpfully offer **Exhibit 7**, a graph showing the nearly steady month-by-month downward progression of the USWC ports' share of containerized import tonnage from East Asia between January 2003 and July 2022.

Exhibit 7

January 2003-July 2022: USWC Monthly Shares of Container Tonnage Shipped from East Asia to Mainland U.S. Ports

Source: U.S. Commerce Department





Jock O'Connell's Commentary:

California's Containerized Exports: Between the Farmyard and the Junkyard

Politicians in Sacramento are exceedingly fond of touting California as one of the world's largest and most technologically advanced economies. It's a justifiable boast. As of the first quarter of this year, the state's Gross Domestic Product was pegged at \$3.569 trillion by the U.S. Bureau of Economic Analysis. That would put the Golden State in fifth place between Germany and the United Kingdom in the World Bank's latest ranking of national economies by nominal GDP.

Yet, despite the state's premier status in global economics, politicians in Sacramento have seldom given international trade much serious thought. Apart from the solid bipartisan support for all expenses-paid fact-finding missions abroad, lawmakers have been generally indifferent to trade issues.

In a way, that's perhaps all for the good. For several years, the State Legislature annually persuaded itself that, if the budget of the world's fifth largest economy could allow for just one state trade promotion office anywhere abroad, that office had to be in Yerevan, the capital of landlocked Armenia, then the world's 124th largest economy. Chalk it up as a triumph of constituent politics over sound public policy.

Lately, though, state government leaders have gotten

themselves riled up over the matter of *California Farm Exporters v. Foreign-Owned Ocean Carriers*. The central allegation being made by the putative plaintiffs in the dell is that the major shipping lines serving California's ports have been giving exporters of the state's agricultural cornucopia short shrift by prioritizing the return of empty shipping containers to Asian factories.

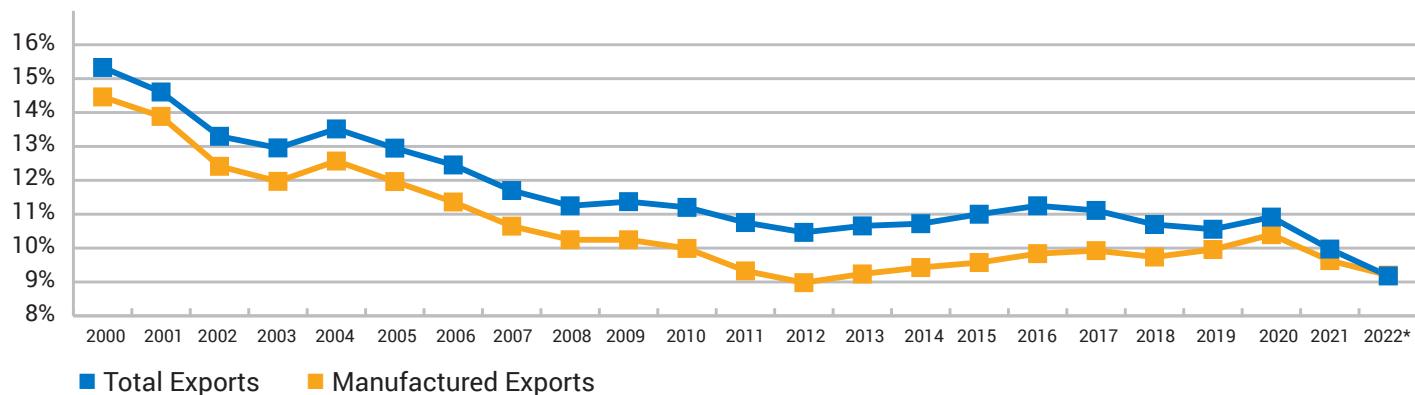
Never mind that the chief incentive for expeditiously returning those metal boxes to Asia has been the elevated level of demand for Asian goods from American retailers and manufacturers. That aspect of the transpacific trade has been played down in favor of a different narrative as exporters' complaints find their way into a barrage of editorials lamenting the imbalance between the daunting number of empty containers leaving the state's ports and the much smaller number of outbound containers that actually contain cargo.

The usual, albeit simplistic conclusion is that much more of the Golden State's abundant economic output should be in those outbound boxes. Surely, the handwringers fret, there's a more than ample supply of goods produced by California businesses that should have found a place in those 5,000,734 empty TEUs that were shipped out of the Ports of Long Beach and Los Angeles through August of this year.

Exhibit A

California's Share of the Value of U.S. Merchandise Exports

Source: U.S. Commerce Department





Commentary Continued

Well, I'm here to argue that maybe there really isn't.

Let's begin by dispensing with some terribly inaccurate notions that afflict most public discussions about California's place in the world economy.

First, although California may be among the world's largest economies, it's one that has long chosen to focus more on the provision of services and not so much on the production of tangible goods to sell to the rest of the world.

In 2000, California was the origin of 15.3% of America's merchandise export trade. By last year that share had fallen to 10.0%. Through July of this year, it has slipped to 9.2%. At the turn of the century, California accounted for 14.5% of America's manufactured exports and 11.0% of its non-manufactured exports (chiefly agricultural produce and raw materials). By this year, those shares have declined to 9.2% and 6.0%, respectively. And the trend is nowhere near positive. This June, the state's share of the nation's overall merchandise export trade fell to 8.9%, its lowest level since state-of-origin trade statistics were first published in 1987. In July, it slipped even further to 8.7%.

Second, most of the goods that California businesses export go nowhere near the state's seaports.

Through the first seven months of this year, California's merchandise export trade was valued at \$108.92 billion. Of that, \$29.53 billion or 27.1% was destined for Mexico and Canada, the state's two largest export markets. And a vanishingly meager 0.2% of that trade involved containerized ocean shipping.

Of the \$79.39 billion in California exports that went to countries other than our immediate neighbors, \$49.31 billion or 62.1% *traveled as air freight*. That shouldn't come as a surprise, although it usually does. If anything, it should be expected of an economy that produces a lot of stuff with the high value-to-weight ratios characteristic of technologically sophisticated goods. It is also not at all unusual for a state in which the cost of doing business strongly encourages the production of goods—even agricultural goods—that command premium prices.

But, when nearly every news report about foreign trade features a photo of a towering crane perched over an enormous container ship, it would certainly shock most every Californian to learn that, in dollar terms, Los Angeles International Airport currently accounts for more of the

state's exports than do the Ports of Los Angeles and Long Beach combined. And, if that were not sufficiently astonishing, the value of exports from San Francisco International is nearly double the value of exports from the Port of Oakland across the bay.

Third, while oceanborne containers may do the heavy lifting, they carry only about 20% of the value of California's merchandise exports.

Last year, airborne exports of California products weighed in at 602,855 metric tons. By contrast, marine containers carried 18,571,583 metric tons of California cargo abroad.

But tonnage is not the same as value.

Last year, containerized exports of California goods by sea totaled \$35.08 billion or 20.1% of the state's overall export trade.

(That, it turns out, is actually high by national and West Coast standards. For the country as a whole, containerized exports by sea accounted for 14.7% of America's \$1.19 trillion merchandise export trade through July. Regionally, oceanborne containers have carried 11.7% of Washington State's exports and 7.1% of Oregon's. In all three West Coast states, airborne exports were significantly higher in value than containerized exports.)

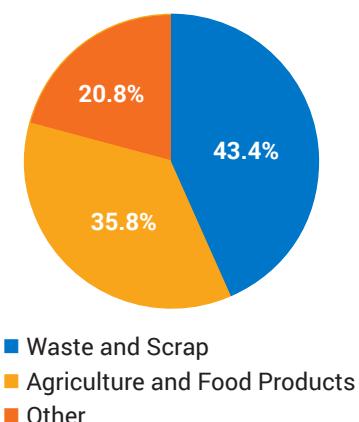
So, what kinds of Made-in-California goods travel abroad in seaborne containers?

As **Exhibit B** below indicates, the trade is dominated by commodities that emerge from California's farmyards and junkyards. Last year, agricultural commodities and food products accounted for 35.8% of the containerized tonnage shipped overseas by California exporters. Waste

Exhibit B

California's Containerized Exports by Weight, 2021

Source: U.S. Commerce Department





Commentary Continued

& Scrap materials accounted for another 43.4%. Together, these two categories of exports represented 79.2% of all containerized export tonnage exported by California businesses in 2021.

In more specific tonnage terms, the Golden State's top five containerized exports (at the 4-digit HS code level) last year were: (1) Waste and Scrap Paper; (2) Waste and Scrap Metal; (3) Forage Crops; (4) Tree Nuts; and (5) Petroleum Products.

How, then, do California's government officials and the proprietors of California's seaports hope to fill more export containers?

One hears the occasional proposal for a National Export Strategy but with the details generally left to the imagination. We've tried that course before, with so-so success. (See, for example, Obama's 2010 National Export Initiative which sought to double U.S. exports in five years. In the end, exports in 2015 were only 18.8% higher than they were when the initiative was launched.) One conundrum proponents face is that policies designed to boost exports in general may not necessarily produce the outcome officials would really like to see, namely more loaded outbound TEUs.

Still, there is an obvious imperative for ports to look beyond junkyards and farmyards for merchandise to stuff into containers. Reliance on the existing mix of containerized export commodities is likely to yield fewer outbound loads. The Waste and Scrap materials that have historically been the backbone of the state's containerized export trade are now less and less welcomed abroad. In addition to becoming more discriminating about the quality of the scraps they accept from us, more and more of our trading partners are becoming quite prolific in generating their own waste and scrap. As for agricultural products, there's that small matter of an extended period of drought that shows little sign of abatement. Plans for exporting higher volumes of California farm products might best be studied while fingering rosary beads.

Disclaimer: The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.



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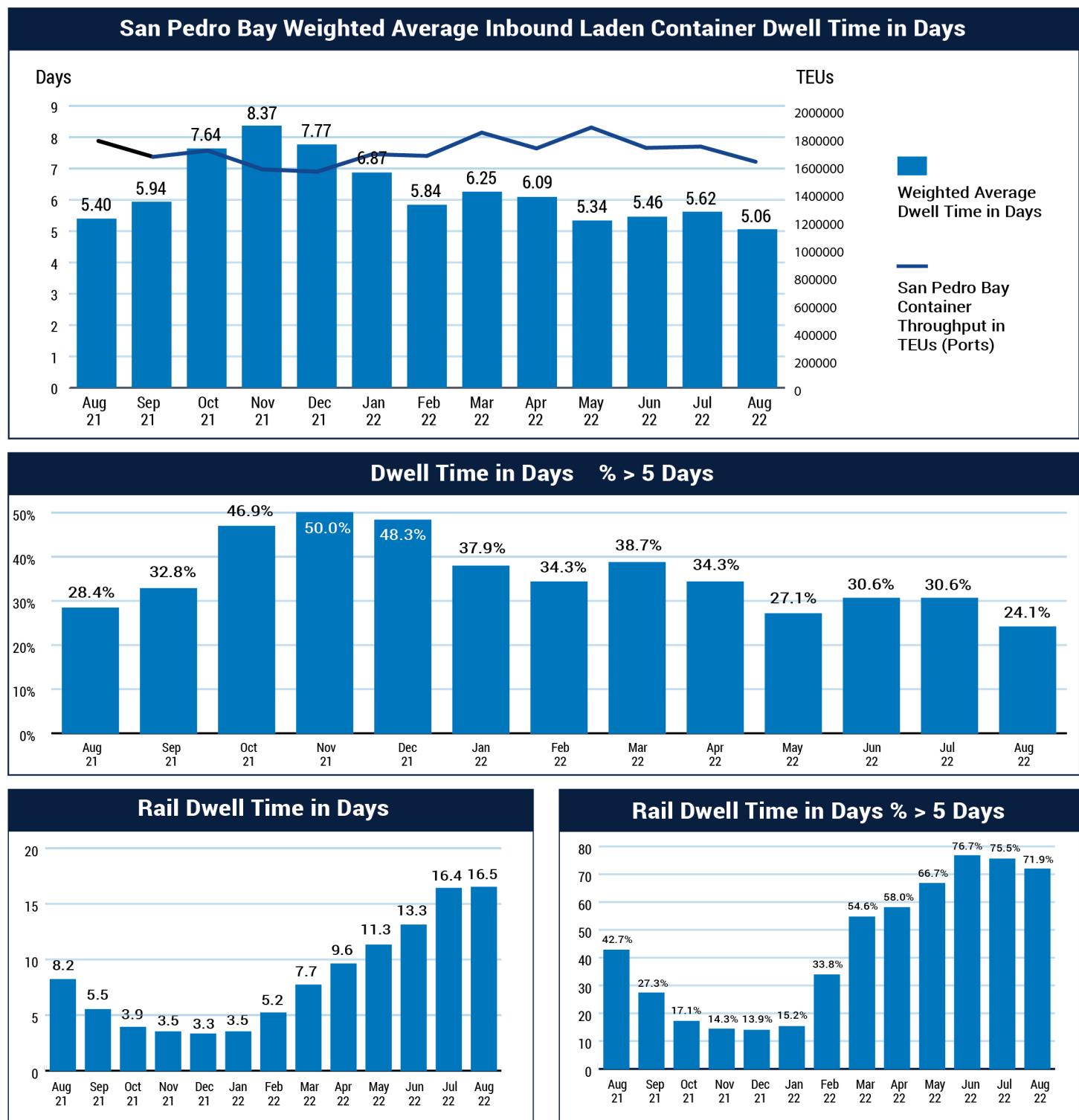
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