ECONOMIC TRENDS • SHIPPING TRENDS • TRADE AND COMMODITY TRENDS • PRICING TRENDS • CAPACITY TRENDS

JOC INSIGHTS

APRIL 2014

From the desk of **MARIO O. MORENO**, *Economist, The Journal of Commerce*

THIS ISSUE OF JOC Insights presents my most updated forecasts on the trans-Atlantic container trade, a special analysis of U.S. logs & lumber exports, and a short overview of current economic and trade activity in Peru.

Last January I took a trip to Lima and met with Magali Silva, Peru's Minister of Foreign T rade and Tourism to discuss Peru's current trade and economic activity. I left the meeting quite impressed.

Peru is at the forefront of global and regional trade negotiations. Last February, members of the Pacific Alliance (Peru, Chile, Colombia, and Mexico) signed an agreement to eliminate tariffs on 92 percent of the trade among them. Also, Peru is part of the Trans-pacific partnership project, and when implemented Peru will gain 5 new trade partners: Australia, New Zealand, Vietnam, Brunei, and Malaysia. There are numerous trade talks in the pipeline with Indonesia, Turkey, India and the Eurasian Economic Community (Russia, Belarus, Kazakhstan, and Armenia). Regionally, Peru is looking to strengthen bilateral trade relations with El Salvador, Nicaragua, Cuba, and Honduras. Peruvian direct investment in Honduras is quite strong.

To facilitate export growth and discover new export opportunities, the Ministry of Commerce and Tourism hired 17 additional commercial economic advisers this year and placed them each in 17 strategic export markets that reach as far as India and Ghana. Also, 3 distribution centers of Peruvian products were created to assist the small exporter, especially those in the agricultural trade. Peruvian gastronomic revolution has strengthened remarkably in recent years, and helped the spread of thousands of Peruvian restaurants abroad, which in turn has spurred a strong demand for Peruvian agricultural exports that include avocados, peppers, lemons, asparagus, onions, vegetables and certain fruits.

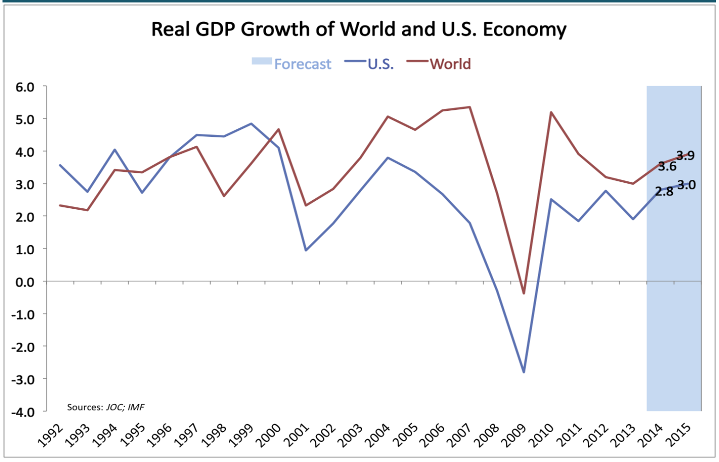
Port investment is impressive. Peru's main port, Callao, has been divided into 2 areas which are currently leased to APM terminals (North pier) and DP World (South pier). APMT will have invested close to $2 billion in Callao port expansion and modernization by the end of 2015 or 2016, while DP World will have invested close to $700 million. By the end of 2016, when all infrastructure work has completed, Callao will better position itself as the region's hub – a status it once had back in Colonial times. Minister Silva estimates that by the end of 2016, Port of Callao will have capacity for 2.5 million containers, up from 1.9 million.

The widening of the Panama Canal will allow for bigger ships to call at Callao Port, but according to Henrik Kristensen, General Manager at APMT Callao, they are ready for the challenge. APMT Callao has already acquired 8 new gantry cranes, which allows for faster loading and unloading of container ships. Also, the terminal has a depth of 52.5 feet, which is 3 times deeper than Chilean ports in Valparaiso and Antofagasta. I have included a short overview of Peru's economy and trade on page 10.

I hope you'll enjoy the latest issue of JOC Insights.

THE SHIPPING ECONOMY

- ***Global economic activity to improve further in 2014, led by advanced economies.***
- ***Asia-Europe westbound trade to advance moderately this year on better economic conditions in Europe.***
- ***Global manufacturing sector grew in March at slower rate linked to Asia slowdown.***
- ***U.S. retail sales saw strong rebound in March, shrugging off effects of bad weather.***
- ***U.S. containerized trade fell in February due to Lunar New Year effects; expect strong rebound in March.***



GLOBAL ECONOMIC RECOVERY STRENGTHENS, BUT REMAINS UNEVEN

Global economic activity will improve further in the next two years, led by the advanced economies, although their recoveries remain uneven. In the U.S., annual growth is projected to rise above trend by the end of 2015, while in the core eurozone economies annual growth is projected to be close to trend. Helped by accommodative monetary policy and reduced fiscal drag, the advanced economies will be leading global economic activity by 3.6 and 3.9 percent in 2014 and 2015, respectively.

The U.S. has retaken the driver's seat. Leverage is down, household debt has significantly and steadily decreased from historically high levels; and home prices have markedly rebounded, cutting the underwater-mortgage problem millions of homeowners had to face in the outbreak of the past recession. Adding to these favorable trends, we have the stock market that has more than doubled the value of household equity portfolios since the recession bottom.

For these reasons, I project the economy will grow 2.8 percent this year, and modestly accelerate to 3.0 percent in 2015. Expect some slowing in early 2014 mostly because of adverse effects of unusually bad weather and a bit of payback from inventory accumulation in the fourth quarter of 2013.

Among emerging market economies, economic activity is projected to remain strong in emerging and developing Asia and to recover moderately in Latin America.

One major downside risk for global growth is low inflation, especially in the advanced economies.

GLOBAL MANUFACTURING

	MAR-14	FEB-14	MOM	DIRECTION, RATE OF CHANGE
US PMI	**53.7**	**53.2**	**0.5**	**GROWING, FASTER RATE**
NEW ORDERS	55.1	54.5	0.6	GROWING, FASTER RATE
INVENTORIES	52.5	52.5	0.0	GROWING, FROM CONTRACTING
CHINA PMI	**48**	**48.5**	**-0.5**	**CONTRACTING**
GLOBAL PMI	**52.4**	**53.2**	**-0.8**	**EXPANDING, FASTER RATE**

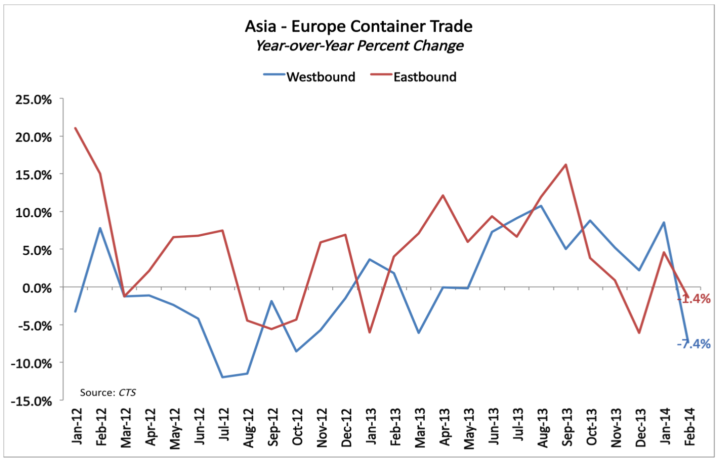
Source: Institute for Supply Management; Markit; HSBC; JPMorgan

GLOBAL MANUFACTURING ACTIVITY EXPANDED AT SLOWER RATE

The global manufacturing sector expanded in March at a slower rate, mainly on the back of a production slowdown in Asia. Manufacturing activity in China underperformed for the second straight month on weak output and new orders, but new export orders increased for the first time in four months thanks to stronger demand from Europe and the U.S., following the Lunar New Year distortions. In the eurozone, output growth edged higher in March, while Russia contracted at the fastest pace since May 2009.

In the U.S., the manufacturing sector grew at a faster rate, according to the Institute of Supply Management, and resumed its upward trend following weather-related distortions. Growth in new orders is respectable, while growth in inventories of raw materials stayed flat.

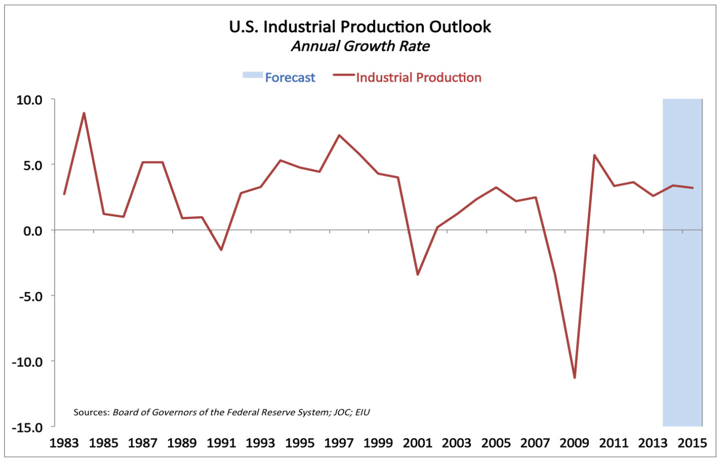
Tracking economic data such as the ISM manufacturing index is important because the manufacturing sector is a major source of cyclical variability in the economy, with tremendous influence over transportation and trade.



ASIA-EUROPE WESTBOUND TRADE IN RECOVERY MODE

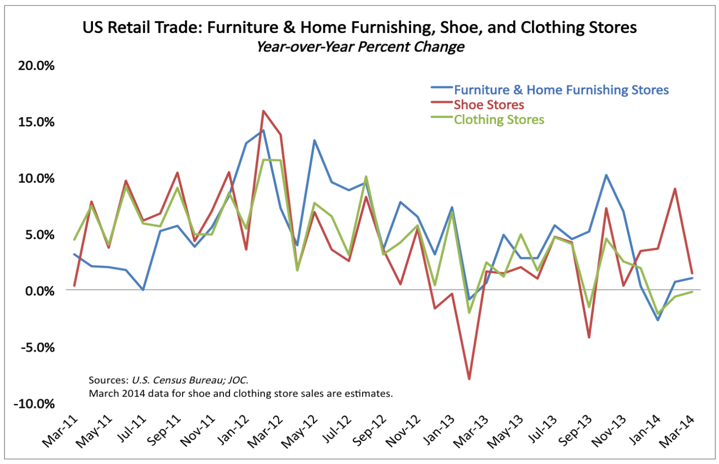
Asia exports to Europe picked up in the second half of 2013 after several consecutive monthly declines. Higher inventory demand in the eurozone in the third quarter of 2013 played a key role in the volume rebound. For all of 2013, volume on the westbound leg to Europe advanced 4.0 percent over 2012 and totaled approximately 14.1 million fully loaded 20-foot containers, but was still down from 2011 by 0.5 percent.

Looking forward, it appears the Asia-Europe westbound trade will continue to modestly recover this year. The euro area is finally turning the corner from recession to recovery, and is expected to grow 1.0 percent in 2014 and 1.4 percent in 2015, but the recovery will be uneven and to some extent fragile to external shocks (e.g., Ukraine crisis). For March 2014, I am expecting growth of 6.0 percent year-over-year for the westbound leg, following a contraction of 7.4 percent in February on Lunar New Year festivities.



U.S. INDUSTRIAL PRODUCTION INDEX TOPPED EXPECTATIONS IN MARCH

U.S. industrial production exceeded expectations in March, mostly on the back of utilities, but manufacturing was quite respectable. Industrial production expanded 0.7 percent, following an upwardly revised gain of 1.2 percent in February. Manufacturing advanced 0.5 percent in line with expectations, while utilities jumped 1.0 percent after sliding 0.3 percent in February. Outside of motor vehicles, manufacturing was still good, up 0.6 percent in March. Capacity utilization improved to 79.2 percent from 78.8 percent in February, getting close to the safe 80 to 85 percent range. If the utilization rate rises above 85 percent, we will likely see inflationary bottlenecks in production.



RETAIL SALES UP STRONGLY IN MARCH, BY 1.1 PERCENT

U.S. retail and food services sales in March jumped 1.1 percent from February seasonally adjusted following an upwardly revised rebound of 0.7 percent. Only about 25 percent of the time do changes in monthly retail sales fall outside the range of plus-1 percent and minus-1 percent, mostly because of sharp changes in motor vehicle spending. But outside of motor vehicles, sales were still quite healthy, up 0.7 percent.

In the core, furniture sales improved modestly in March, up 1.0 percent year-over-year following a tiny gain of 0.7 percent in February. Sales at furniture and home furnishing stores have slowed the pace in recent months as home sales declined. Retailers have reacted by placing fewer furniture orders. I estimate U.S. furniture imports via ocean container slid 0.9 percent year-over-year in the first quarter of 2014 after growing by just 1.4 percent in the fourth quarter of 2013. Sales at shoe stores expanded in March year-over-year for the sixth straight month, while sales at clothing stores continued to struggle for the third consecutive month, down 0.2 percent year-over-year.

The retail inventory-to-sales ratio declined in February to 1.45 from January's 1.46 as sales improved and inventory levels stood merely unchanged.

U.S. HOUSING MARKET

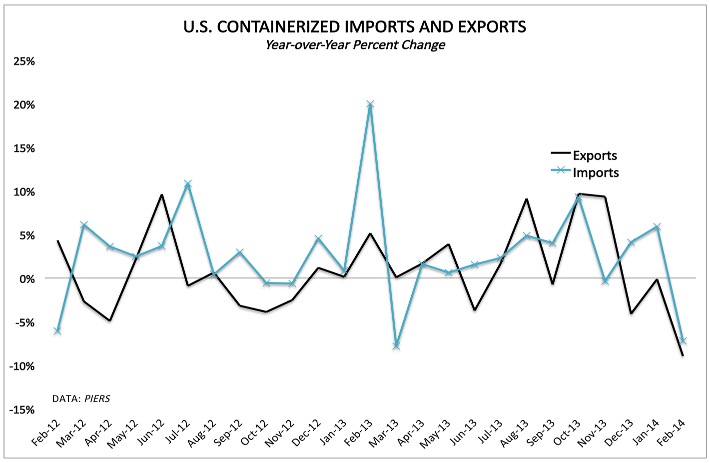
	MAR-14	MOM	YOY	YTD	2014(F)
EXISTING HOME SALES	4590	-0.2%	-7.5%	-7%	-10%
NEW HOME SALES	384	-14.5%	-13.3%	0%	-1%
HOUSING STARTS	946	2.8%	-5.9%	-4%	2%

*Source: US Department of Commerce; NAR; JOC Forecast • *In Thousands of Units, Seasonally Adjusted Annual Rate*

2014 OUTLOOK FOR EXISTING HOME SALES CONTINUES TO BE GRIM

Existing home sales continued on the downward trend, sliding for the seventh time in eight months at minus 0.2 percent in March, following a dip of 0.4 percent in February. I was expecting sales growth of 1 percent for March. Year-over-year, sales were down 7.5 percent, the steepest rate of contraction since May 2011. Tight supply, high prices and unattractive mortgage rates are to blame. I have slightly downgraded the 2014 forecast for existing home sales from minus 9 percent to minus 10 percent. Expect downward pressure on inbound volume of top-ranked import furniture in the short-term.

Housing starts moderately improved 2.8 percent year-over-year in March, following an increase of 1.9 percent in February. March growth was in line with my expectation of 2.4 percent. Overall permits, however, fell 2.4 percent after rising 7.3 percent in the prior month. High home prices and unattractive mortgage rates prompt home builders to take a cautious stance, but the tight supply in the home sales market should support growth of 2 percent in housing starts this year. Home construction activity boosts trade and transportation of construction materials such as wood products (see page 8).



U.S. CONTAINER TRADE

	FEB-14	MOM	YOY	YTD	2014(F)	2015(F)
IMPORTS	1,316	-16.3%	-7.2%	-0.5%	5.9%	7.5%
EXPORTS	923	-4.7%	-9.0%	-4.6%	1.8%	2.6%

*Source: PIERS; JOC Container Shipping Outlook, March 2014 • *In Thousands of TEUs*

FEBRUARY 2014: U.S. CONTAINERIZED IMPORTS DOWN 7.2 PERCENT; EXPORTS DOWN 9.0 PERCENT

U.S. containerized imports via ocean fell 7.2 percent year-over-year in February, mostly because of the two-week closing of Chinese factories resulting from Lunar New Year festivities.

Among the top 25 source countries, imports from Hong Kong saw the biggest volume decline, down 27 percent or 9,491 TEUs year-over-year. Taiwan and Chile followed with a contraction of 21 and 20 percent, respectively, while mainland China saw a contraction of 12 percent. On the upside, U.S. imports from Spain jumped 23 percent.

Losses among the top 25 imports were mostly seen in menswear, down 31 percent; computers, down 30 percent; and sheets, towels and blankets, down 27 percent. On the upside, gains were seen in fabrics, miscellaneous plastic products and bags.

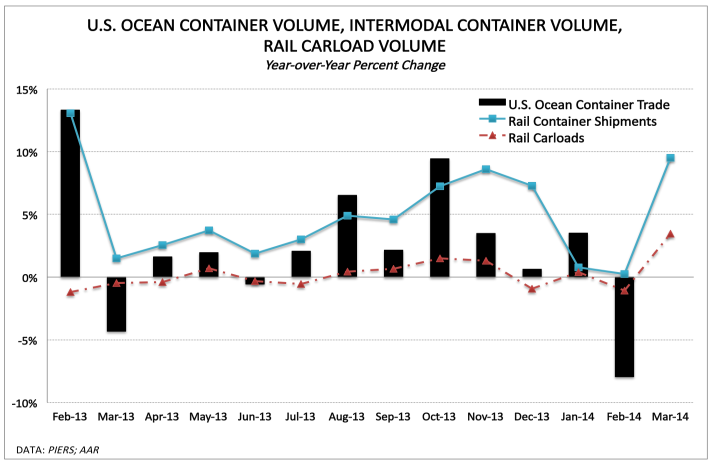
February's sharp contraction is mostly attributed to the closing of factories and businesses in line with Lunar New Year festivities; thus, we should expect a sharp rebound in March. Retailers are shrugging off the effects of adverse weather, as evidenced by the strong March figures, and the labor market continues to moderately improve. The contraction in the home sales market, however, could pose some risk to the inbound volume of furniture and other home goods.

Overall U.S. containerized exports via ocean tumbled 9.0 percent year-over-year in February to 923,493 TEUs, according to preliminary data from PIERS, the data division of JOC Group Inc.

Among the top 25 goods exports, most year-over-year losses were seen in soybeans, mixed scrap metals and edible nuts. On the upside, year-over-year gains were seen in field seeds and bulbs, miscellaneous plastic products and miscellaneous apparel.

Among the top 25 export markets, shipments to Guatemala declined the most in February, down 26 percent year-over-year. Shipments to United Arab Emirates and Hong Kong followed with losses of 26 and 24 percent, respectively. On the upside, exports to Turkey and the Philippines jumped 23 and 15 percent, respectively.

China's manufacturing sector is struggling, with activity at private firms contracting in March for the third straight month as new business growth declines. China's demand for industrial resins and scrap metals declined sharply in February as a result. Expect more fiscal stimulus shortly with the purpose of putting a floor under the government's target economic growth rate of 7.5 percent.



RAIL TRAFFIC RECOVERED MARKEDLY IN MARCH

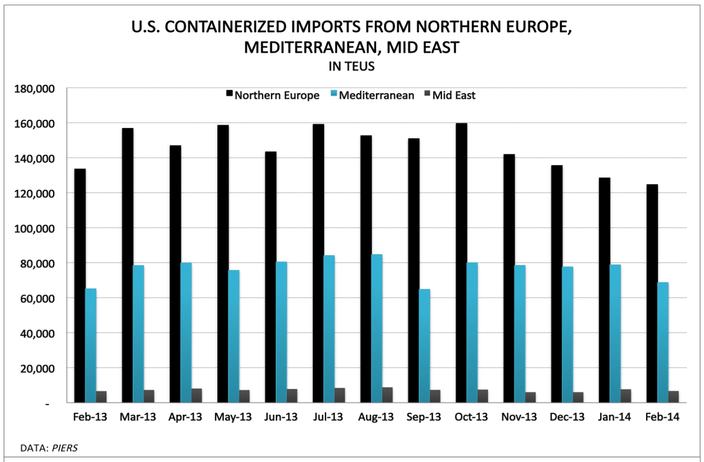
U.S. ocean container trade fell in February as expected, dragged by the effects of the two-week closing of factories in China. Trade tumbled 8 percent year-over-year, but it's expected to rebound sharply in March as evidenced by the strong March rail figures.

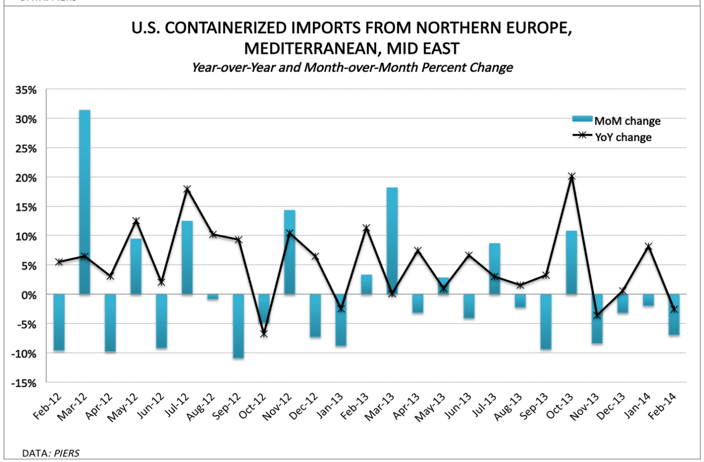
Rail container shipments expanded 9.5 percent year-over-year in March, while rail carloads increased 3.5 percent in the same month. Rail carloads saw its biggest year-over-year increase since December 2011.

REGIONAL CONTAINER TRADE

- *Weak outlook for U.S. exports to North Europe in the next two years.*
- *U.S. imports from North Europe expected to recover later this year, led by auto parts.*

IMPORTS FROM EUROPE AND MIDDLE EAST





IMPORTS, FEBRUARY 2014

TRADE LANE	TEUS	MOM	YOY	YTD	2014(F)	2015(F)
NORTHERN EUROPE	124,641	-3.0%	-6.7%	-0.8%	7.9%	9.2%
MEDITERRANEAN	68,677	-12.8%	5.5%	9.6%	11.2%	9.9%
MID EAST	6,716	-12.7%	1.1%	0.3%	25.4%	36.9%

Source: JOC-PIERS Container Shipping Outlook March 2014 issue

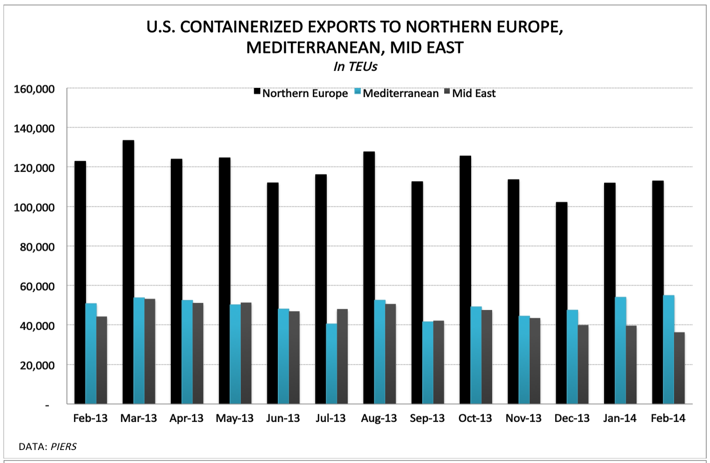
FEBRUARY 2014: IMPORTS FROM EUROPE, MIDEAST DOWN 2.5 PERCENT

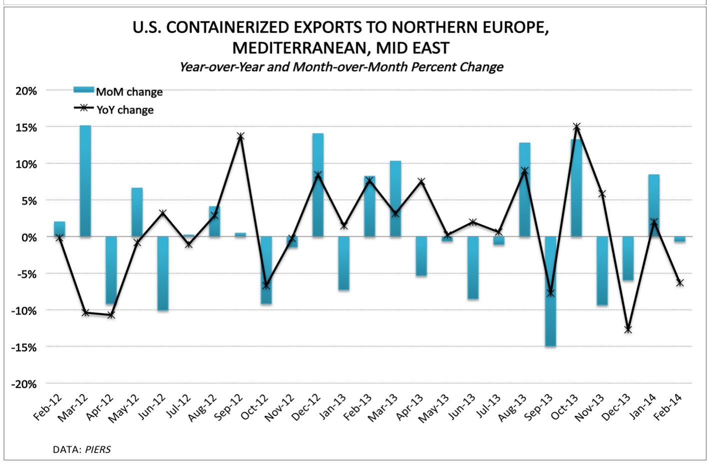
Inbound trade from northern Europe totaled 124,641 TEUs in February, down 6.7 percent year-over-year. Losses were seen mostly in non-alcoholic beverages and beer. Imports from the Mediterranean region expanded 5.5 percent year-over-year in February to 68,677 TEUs, boosted by gains in glassware and marble. Imports from the Mediterranean have expanded year-over-year for nine straight months. Imports from the Middle East edged up 1.1 percent in the month, after sliding 0.3 percent in January. Imports from northern Europe and Mediterranean combined were down 2.5 percent year-over-year in February, following a jump of 8.1 percent in January.

Lower-than-expected growth in the fourth quarter of 2013 prompted a modest downward revision in the forecast for the inbound trade from northern Europe. Volumes are now expected to increase by a still-robust 7.9 percent, compared with the previous projection of 8.8 percent. The outlook for 2015 calls for 9.2 percent growth. Healthy U.S. demand combined with favorable exchange rates on European imports will continue to drive overall traffic. The expansion will be broad-based, though shipments from Germany will remain at the forefront, increasing an average of 9.4 percent annually over the two-year period.

In terms of the commodity mix, record luxury car sales in the U.S. in 2013 bode well for future imports of containerized auto parts from northern Europe. The outlook for inbound volumes of beer is less optimistic. Domestically produced craft beers and non-containerized imports from Mexico have been chipping away at European market share for the past few years, and this trend is expected to continue over the near term.

EXPORTS TO EUROPE AND MIDDLE EAST





EXPORTS, FEBRUARY 2014

TRADE LANE	TEUS	MOM	YOY	YTD	2014(F)	2015(F)
NORTHERN EUROPE	112,919	1.0%	-8.1%	-0.9%	0.4%	0.5%
MEDITERRANEAN	54,931	1.7%	8.1%	5.0%	4.0%	2.4%
MID EAST	36,331	-8.4%	-18.0%	-14.4%	-5.2%	2.3%

Source: JOC-PIERS Container Shipping Outlook March 2014 issue

FEBRUARY 2014: EXPORTS TO EUROPE AND MIDEAST DOWN 6.3 PERCENT

Exports to northern Europe totaled 112,919 TEUs, and marked a sharp year-over-year contraction of 8.1 percent on losses in motor vehicles, poultry and medical equipment. Shipments to the Mediterranean region expanded 8.1 percent year-over-year, mostly driven by gains in fabrics, poultry and auto parts. Trade to the Middle East contracted in February year-over-year for the third straight month, totaling 36,331 TEUs.

Total exports to Europe and the Middle East combined were down 6.3 percent in February year-over-year, and followed a modest rebound of 2.1 percent in January.

While economic activity in the North Europe region remains far below potential, it is improving. Likewise, the forecast for demand for U.S. containerized exports to the area has been revised modestly higher. Exports are now expected to rise 0.4 percent in 2014, compared with a 0.8 percent contraction in the previous forecast. Similarly, the growth rate for 2015 has been raised to 0.5 percent from minus-1.1 percent.

Longer term, U.S. trade to the region could get a lift from the Transatlantic Trade and Investment Partnership, a potential U.S.-EU free trade agreement. Negotiations have been slow, however, another round of talks renewed in March. Several contentious issues remain, including European opposition to the U.S. production of genetically modified foods. Nonetheless, there is considerable potential for future growth on this trade route. Even with the modest rise in U.S. exports to the region last year, total volumes to northern Europe are still 13.0 percent below their 2008 peak.

TOP COMMODITIES: EUROPE

TOP U.S. IMPORTS FROM NORTH EUROPE AND MED IN TEUS: FEBRUARY 2014

RANK	COMMODITIES	TEUS	MOM	YOY	2013 %
1	AUTO PARTS	12,758	-6%	-9%	1%
2	BEER&ALE	9,422	0%	-19%	-14%
3	FURNITURE	7,677	-10%	-17%	-9%
4	PAPER&PAPERBOARD W/WASTE	6,154	4%	-8%	-13%
5	NON ALCOHOLIC BEVERAGES	6,113	10%	-36%	-35%
6	PLASTIC PRODS, MISC	5,578	-2%	79%	87%
7	STILL WINES	5,245	-21%	-25%	-13%
8	AUTO&TRUCK TIRE&TUBES	4,064	2%	-1%	-1%
9	MCHNRY MISC,CASETTE PLAYERS	3,146	-19%	20%	23%
10	VEGETABLES	2,983	-10%	-20%	-23%

Source: PIERS

Auto parts imports were only up 1 percent through February, but are expected to pick up later in the year.

TOP U.S. EXPORTS TO NORTH EUROPE AND MED IN TEUS: FEBRUARY 2014

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD W/WASTE	13,189	4%	-16%	-22%
2	AUTOMOBILES	12,208	-7%	-26%	-19%
3	FABRICS,INCL.RAW COTTON	9,910	11%	31%	35%
4	WOOD PULP	8,980	-18%	-9%	2%
5	AUTO PARTS	7,595	10%	-21%	-18%
6	EDIBLE NUTS	5,405	23%	-8%	-6%
7	POULTRY,CHIEFLY FRESH&FROZEN	5,076	0%	-10%	9%
8	GROCERY PRODS,MISC.	4,486	11%	12%	7%
9	PLASTIC PRODS, MISC	4,290	-2%	51%	71%
10	VINYL ALCOHOL,PVC RESINS	3,967	-42%	-28%	-20%

Source: PIERS

Exports of fabrics, including raw cotton, were up sharply 35 percent through February.

PORT TRAFFIC

- *Port of Los Angeles was top U.S. port through February, with volume of approximately 913,000 (fully loaded) TEUs.*
- *Port of Shanghai was China's top port through February with total volume of approximately 5.2 million (fully loaded and empties) TEUs.*

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In February 2014 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2014
1 LOS ANGELES	414	-8.6%	913
2 LONG BEACH	329	-21.7%	781
3 NEW YORK	293	-7.1%	620
4 SAVANNAH	197	3.0%	404
5 VIRGINIA PRTS	153	9.4%	296
6 OAKLAND	124	-6.7%	257
7 HOUSTON	118	-0.8%	250
8 TACOMA	103	-2.9%	219
9 CHARLESTON	108	-4.2%	214
10 SEATTLE	59	-36.6%	119

Source: PIERS. Figures are rounded. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

Top 10 ports handled 85.3 percent of the total U.S. international container traffic through February, down 0.1 percentage points from 2013.

Container traffic at top-ranked Port of Los Angeles fell 8.6 percent year-over-year in February, and traffic at the Port of New York and New Jersey continued to struggle.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In February 2014 *Unit: 1000 TEU*

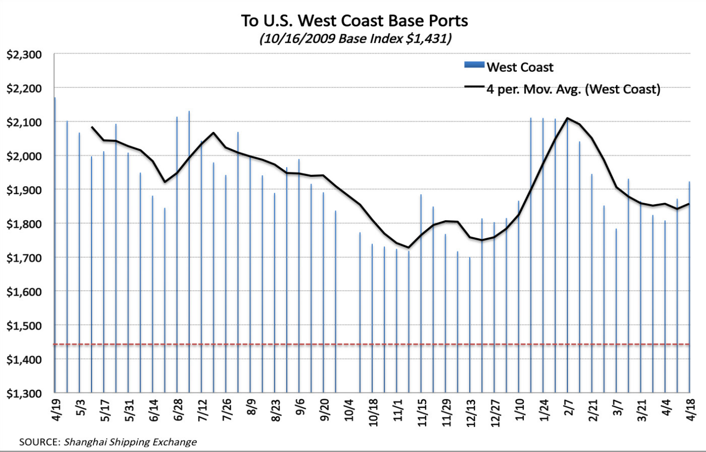
RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2014
1 SHANGHAI (上海)	2,206	9.8%	5,203
2 SHENZHEN (深圳)	1,290	-12.1%	3,470
3 NINGPO ZHOUSHAN (宁波－舟山)	1,254	6.7%	2,979
4 QINGDAO (青岛)	1,175	6.5%	2,661
5 GUANGZHOU (广州)	939	19.0%	2,199
6 TIANJIN (天津)	966	3.5%	1,997
7 DALIAN (大连)	635	-3.2%	1,381
8 XIAMEN (厦门)	517	9.5%	1,167
9 LIANYUNGANG (连云港)	NA	NA	NA
10 SUZHOU (苏州)	291	-33.1%	632

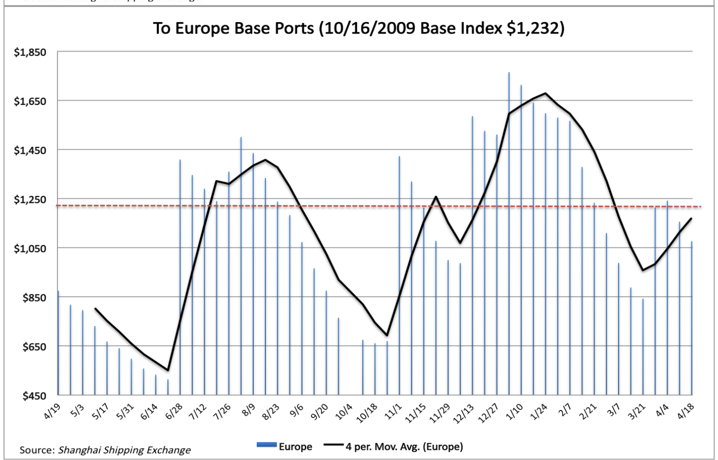
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

Container traffic at Port of Shanghai jumped in February, up 9.8 percent year-over-year, while traffic at Port of Shenzhen fell 12.1 percent year-over-year and continues trending down.

INTERNATIONAL SHIPPING PRICES

◆ *Asia-Europe rates slide following general rate increase of late March due to persisting overcapacity.*





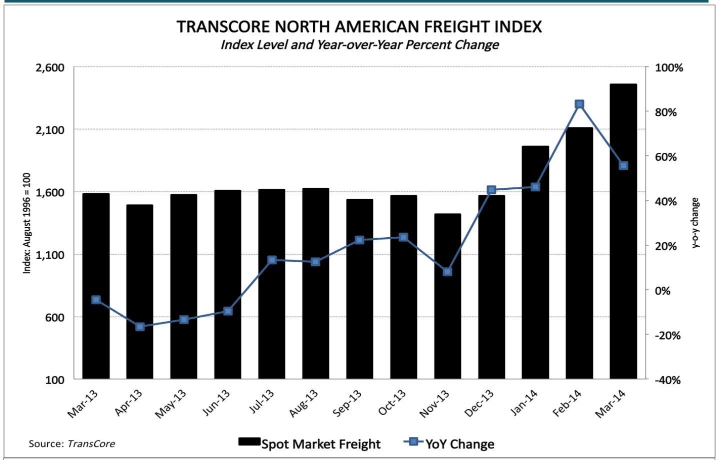
ASIA-EUROPE RATES STOOD BELOW UPWARD TREND FOR FIRST TIME IN FOUR WEEKS

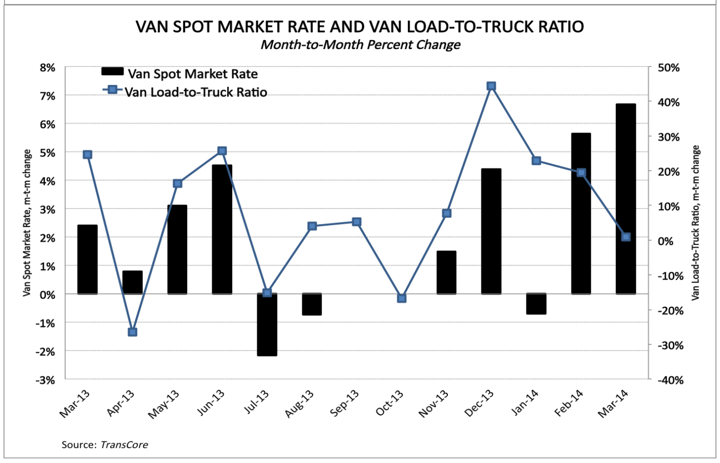
In the week ending April 18, the freight rate for the voyages from Shanghai to base ports on the U.S. West Coast was $1,923 per FEU, up 2.7 percent (or $51) from the prior week. This followed the mid-April general rate increase recommended by the Transpacific Stabilization Agreement. Rates from Shanghai to the East Coast ports in the week ending April 18 increased 1.4 percent (or $47) from the prior week, to $3,328 per FEU.

On the Asia-Europe lane, the index rate from Shanghai to northern European ports fell 6.8 percent (or $79) from the prior week to $1,077 per TEU. Ocean carriers on this route have lost $234 of the $399 rate increase achieved in the last week of March and first week of April. Persisting overcapacity on this lane continues to exert downward pressure on freight rates. Alphaliner said total weekly capacity in the Asia-North Europe trade is expected to grow 6.4 percent by August. Maersk Line, CMA CGM, MOL and Hapag-Lloyd plan to implement rate increases in the Asia-Europe trade lane in the beginning of May.

TRUCKING

◆ *Trucking freight volumes post record levels.*





FEBRUARY 2014: FREIGHT INDEX UP 56 PERCENT YEAR-OVER-YEAR

In a year of record freight on the spot market, March was no exception; freight availability rose 56 percent on the DAT North American Freight Index, including Canada, compared to the same month in 2013. Within the U.S., the year-over-year change was even more dramatic. A 64 percent increase was divided among the three equipment categories: freight for vans was up 63 percent; flatbeds, 58 percent; and 70 percent for refrigerated (reefer) trailers.

Compared to February, freight volume increased 17 percent in March. Extraordinary volume from December through February was attributable to extreme winter weather that disrupted supply chains nationwide during what is usually a slow season. In March, however, freight volume also received a boost from increased economic activity and normal seasonal trends, in addition to pent-up demand from recurring storms.

Much of the increased seasonal was in the flatbed segment, where load availability rose 38 percent compared to February. Van freight added 10 percent and reefer loads increased 7.0 percent month-to-month.

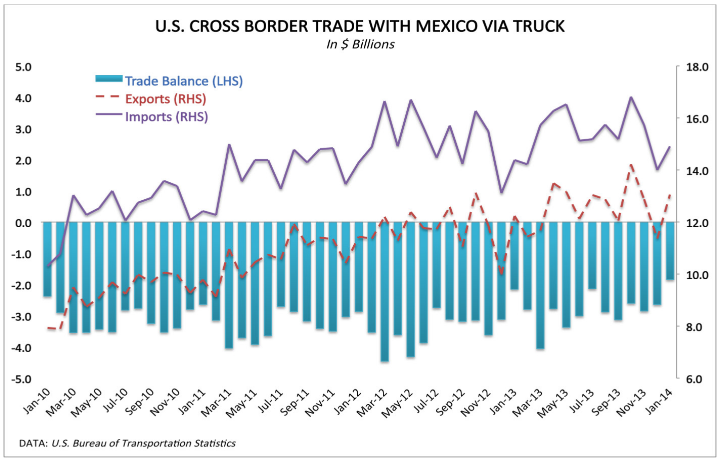
The continued pressure on spot market capacity buoyed spot market rates to new heights in March, as well. Year-over-year rate increases were significant for all three major equipment types: 25 percent for vans, 20 percent for reefers and 13 percent for flatbeds. Compared to February, when extreme weather led to a shift of unusual freight volumes to the spot market, rates in March rose 6.7 percent for vans, 3.6 percent for reefers and 4.8 percent for flatbeds.

DAT RateViewTM recorded an atypically large 10 cent (6.7 percent) month-to-month increase in the national average spot market line-haul rate for dry vans in the U.S. in March, not including fuel surcharges. The fuel surcharge for vans was unchanged at 48 cents, so the total rate rose 5.1 percent, from $1.98 to an average of $2.08 per mile, including fuel.

New seasonal freight, combined with pent-up demand for transportation services that were delayed by recurring winter storms, led to a 9.9 percent increase in available loads and an 8.9 percent increase in truck capacity on the company's DAT Load Boards. This yielded a 0.9 percent increase in the load-to-truck ratio for vans on the spot market, from 5.35 available loads per truck in February to 5.40 in March.

On a year-over-year basis, load volume rose 63 percent for vans in March, while capacity contracted 15 percent. The resulting load-to-truck ratio nearly doubled, increasing 92 percent from 2.8 to 5.4, compared to March 2013.

Van spot market rates rose 32 cents (25.0 percent) compared to March 2013, not including fuel surcharges, which declined 2 cents (4.0 percent) during that period. The total rate, including the surcharge, increased 16,0 percent, from $1.80 to $2.08 per mile.



U.S. TRADE DEFICIT WITH MEXICO VIA TRUCK NARROWED TO $1.84 BILLION IN JANUARY

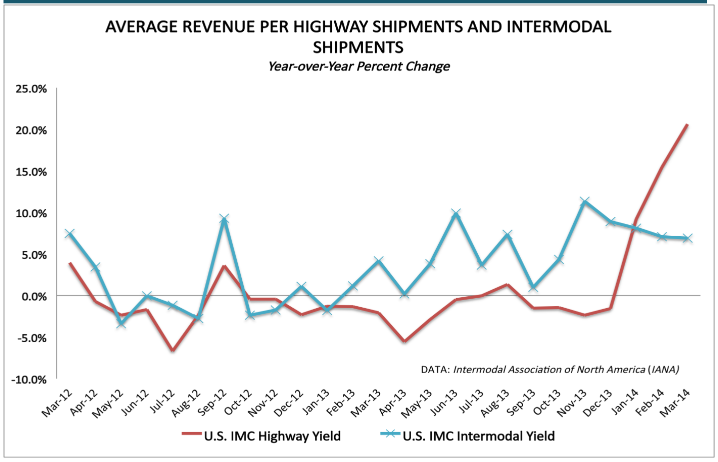
U.S. exports to Mexico via truck expanded 6.7 percent in January year-over year, and totaled $13.06 billion. Exports to the U.S. southern neighbor have expanded year-over-year for 10 consecutive months, reflecting the rebound in the Mexican economy that began in the third quarter.

U.S. imports from Mexico via truck increased 3.6 percent year-over-year in January, totaling $14.9 billion. The U.S. economy is expected to expand 2.0 percent in the first quarter of 2014.

The U.S. trade deficit with Mexico narrowed to $1.84 billion in January from $2.64 billion in December.

RAIL

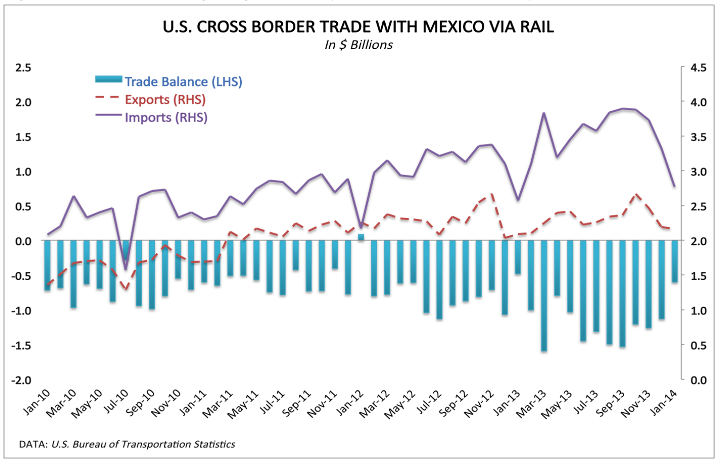
- ***U.S. rail imports from Mexico have expanded for 24 straight months through January, partly linked to near-sourcing.***
- ***U.S. rail transportation of lumber softened as housing starts slowed.***



MARCH 2014: AVERAGE REVENUE PER HIGHWAY SHIPMENTS UP 20.6 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMENTS UP 6.9 PERCENT

The average revenue per highway load strengthened in March, up 20.6 percent year-over-year to $1,701. From February to March, the average revenue increased 5.0 percent (or $82).

The average revenue per intermodal load advanced 6.9 percent to $2,921, after rising 7.1 percent in the prior month. From February to March, the intermodal yield increased 3.7 percent (or $105). The latest figures reflect the ongoing recovery in the U.S. economy.

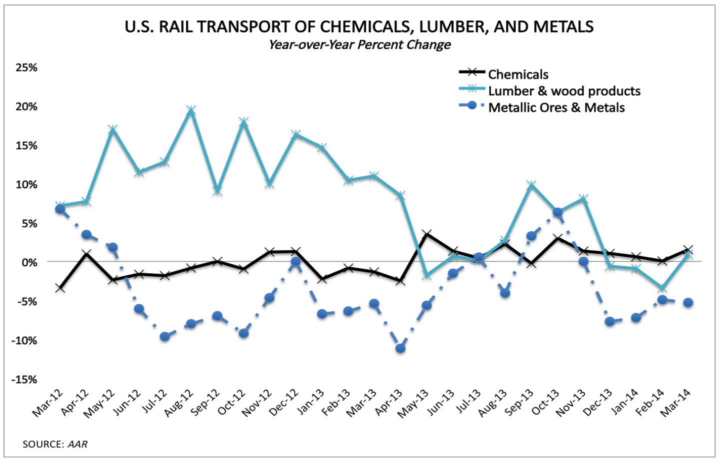


U.S. TRADE DEFICIT WITH MEXICO VIA RAIL NARROWED TO $0.6 BILLION IN JANUARY

U.S. exports to Mexico via rail expanded 3.8 percent in January year-over-year, totaling $2.2 billion. Rail exports to the southern neighbor have expanded in six of the last seven months.

U.S. imports from Mexico via rail expanded 7.7 percent in January year-over-year, totaling $2.8 billion. Imports from Mexico have increased for 24 straight months, evidencing the growing preference of rail transportation over truck and near-sourcing activity effects.

The U.S. trade deficit with Mexico via rail narrowed to $0.6 billion in January from $1.13 billion in December.



MARCH 2014: RAIL TRANSPORTATION OF LUMBER REBOUNDS SLIGHTLY

After growing at less than 1 percent in the three months through February, U.S. chemical carloads advanced 1.5 percent year-over-year in March, totaling 122,094, underscoring the softness in this industry.

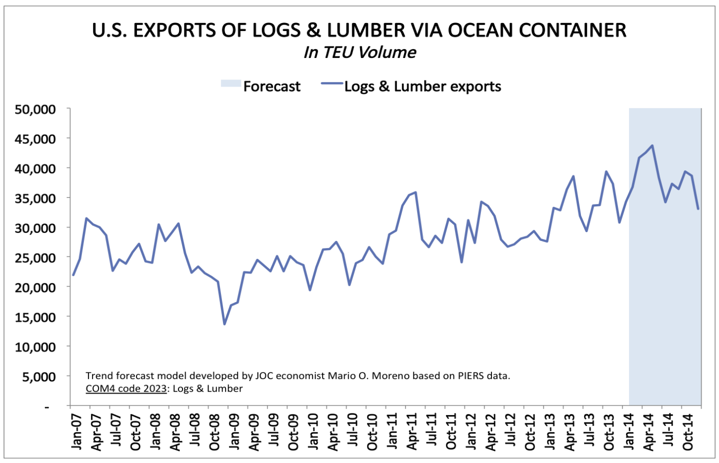
U.S. lumber and wood products carloads edged up 0.9 percent year-over-year in February, following three months of year-over-year declines. Adverse weather may have had an impact over rail transportation of lumber and wood products.

Rail transportation of metallic ores and metals fell 5.3 percent year-over-year in March after contracting in the prior three months.

COMMODITY SNAPSHOT

- ***U.S. exports of logs and lumber expected to hit volume record this year on China's growing demand.***
- ***Among all U.S.-based ports, Port of Tacoma will benefit most from the expanding export traffic.***

SELECTED COMMODITY: *LOGS AND LUMBER*



LOGS AND LUMBER EXPORTS TO KEEP THE UPTREND ON CHINA'S STRONG DEMAND

U.S. exports of logs and lumber via ocean container have expanded for 10 consecutive months year-over-year through January, tied to strong demand from China. The trade outlook looks positive as shown on the chart above, with export volume expected to hit a record level of approximately 456,212 TEUs, up 13 percent over 2012 volume. China is expected to be the main engine of growth this year as well, given its growing economy and ongoing urbanization. Furthermore, China's current demand for logs and lumber surpasses supply, which will benefit the U.S. exporter.

SHARE OF U.S. LOGS & LUMBER EXPORTS AND ANNUAL GROWTH RATES (TEU VOLUME)

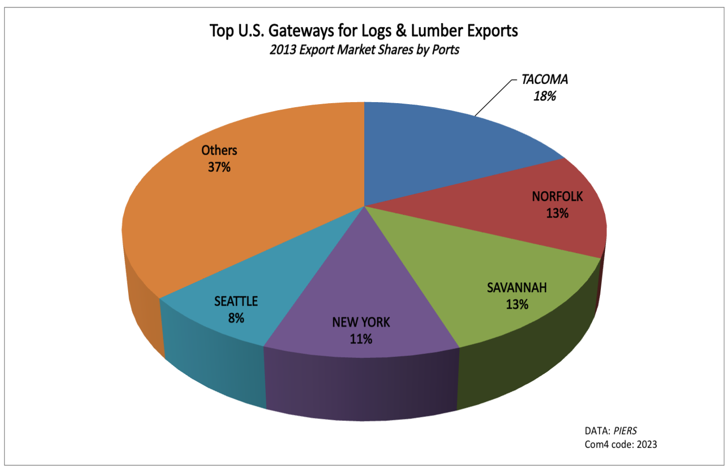
	SHARE OF EXPORTS			ANNUAL GROWTH RATES		
	2011	2012	2013	2011	2012	2013
CHINA	0.449	0.427	0.507	66%	-6%	36%
VIETNAM	0.047	0.074	0.072	18%	53%	12%
JAPAN	0.069	0.068	0.058	9%	-3%	-2%
TAIWAN	0.038	0.045	0.045	2%	17%	15%
KOREA	0.076	0.058	0.042	-23%	-24%	-18%
HONG KONG	0.044	0.023	0.028	13%	-47%	38%
INDIA	0.016	0.021	0.025	266%	27%	39%
ITALY	0.040	0.030	0.023	-8%	-26%	-12%
U KINDOM	0.019	0.021	0.016	4%	5%	-13%
AUSTRALIA	0.013	0.016	0.013	34%	22%	-9%

Source: PIERS; author's own calculations

MORE THAN HALF OF ALL U.S. LOGS AND LUMBER SEABORNE EXPORTS WERE SHIPPED TO CHINA LAST YEAR

As measured by ocean container volume, China is the largest export market for U.S. logs and lumber, holding 50.7 percent of the market in 2013, up remarkably 8 percentage points from 2012. Favorable government policies paved the way for this strong Chinese demand for logs and lumber products. By the end of the 12th five-year plan (2011-2015), China's urbanization rate is expected to be more than 54.0 percent, up from 45.7 percent in 2008, which should support the demand for construction wood and even wood furniture. Rising disposable incomes in China should also support the market demand for high-quality wood furniture and hardwood lumber floors.

Demand from Vietnam has grown markedly in recent years as well, and in 2012 Vietnam topped Japan to become second-largest export market of U.S. logs and lumber as measured by ocean container volume. India's share of exports has grown in recent years but from a low base.



PORT OF TACOMA GAINED MOST EXPORT TRAFFIC OF LOGS AND LUMBER IN 2013

In 2013, Port of Tacoma handled 18 percent of the total TEU volume of U.S. logs and lumber exports, up 5 percentage points from a year earlier, while the Port of Norfolk handled 13 percent of all exports, down 1 percentage point from a year earlier. The ports of Savannah and New York/New Jersey handled 13 and 11 percent of the logs and lumber outbound traffic, respectively, in 2013.

SPECIAL BRIEF

PERU'S ECONOMY TO KEEP GROWING AT RESPECTABLE PACE IN 2014-2015

Peru's economy is expected to strengthen to 5.6 percent this year, up from an estimated 5.1 percent in 2013, on improving private investment and mining output. Mega copper mine, the Toromocho, began production in December 2013 and is expected to significantly underpin output growth; however, weak metal prices will continue to weigh on the sector. Peru's Central Bank cut the policy rate this past November and its effects will be felt this year which will support the current expansion. Peru will continue to enjoy one of the highest growth rates in the Latin American region thanks to solid domestic demand, increasing public spending, rebounding private investment, and mild inflation.

CHINA TOPPED U.S. TO BECOME PERU'S LARGEST EXPORT MARKET

Peru's exports of goods approximately totaled $42.2 billion last year, down 8.2 percent from 2012. For many years the U.S. had been Peru's largest export market but in 2011 China topped the U.S. and currently holds approximately 17 percent of the total exports of goods by dollar value. The share of Peruvian goods exports held by the U.S. fell sharply over the years, from 31.1 percent in 2005 to 13.9 percent in 2012. It appears the Peru – United States free trade agreement implemented in 2009 could not reverse the trend yet.

Peru's government is pursuing more bilateral free trade agreements; those in the pipeline include trade agreements with Indonesia, India, Turkey, Russia and some Central American nations. Peru exemplifies a world leading country in trade liberalization efforts.

REGION CATEGORIES

NORTHEAST ASIA HONG KONG, JAPAN, MACAU, MONGOLIA, NORTH KOREA, PEOPLES REP OF CHINA, REPUBLIC OF KOREA, TAIWAN **SOUTHEAST ASIA** BRUNEI, CAMBODIA, INDONESIA, LAOS, MALAYSIA, MYANMAR, PHILIPPINES, SINGAPORE, THAILAND, VIETNAM **NORTHERN EUROPE** AUSTRIA, BELGIUM, CZECHOSLOVAKIA, DENMARK, ESTONIA, FINLAND, GEORGIA, GERMANY, HUNGARY, ICELAND, IRELAND, LATVIA, LITHUANIA, N FRANCE, NETHERLANDS, NORWAY, POLAND, RUSSIA, SWEDEN, SWITZERLAND, UNITED KINGDOM **MEDITERRANEAN** ALBANIA, AZORES, BULGARIA, CYPRUS, EGYPT, GIBRALTAR, GREECE, ISRAEL, ITALY, MALTA, MOROCCO MED, PORTUGAL, ROMANIA, S FRANCE, SPAIN, TURKEY, UKRAINE, YUGOSLAVIA **CENTRAL AMERICA** BELIZE, COSTA RICA, GUATEMALA, EL SALVADOR, HONDURAS, MEXICO, NICARAGUA, PANAMA **CARIBBEAN** BAHAMAS, BARBADOS, BERMUDA, CAYMAN IS, CUBA, DOMINICAN REPUBLIC, FRENCH WEST INDIES, HAITI, JAMAICA, LEEWARD & WINDWARD, NETHERLANDS ANTILLES, TRINIDAD & TOBAGO, TURKS CAN CAICOS **WEST COAST SOUTH AMERICA** CHILE, COLOMBIA, ECUADOR, PERU **EAST COAST SOUTH AMERICA** ARGENTINA, BOLIVIA, BRAZIL, FRENCH GUIANA, GUYANA, PARAGUAY, SURINAM, URUGUAY, VENEZUELA **MIDDLE EAST** AFGHANISTAN, BAHRAIN, IRAN, IRAQ, JORDAN, KUWAIT, LEBANON, OMAN, QATAR, SAUDI ARABIA, SYRIA, UNITED ARAB EMIRATES, YEMEN **OCEANIA** AUSTRALIA, FRENCH PACIFIC IS, NEW ZEALAND, OTHER PACIFIC IS, PAPUA NEW GUINEA, WESTERN SAMOA **INDIAN SUBCONTINENT** BANGLADESH, INDIA, NEPAL, PAKISTAN, SRI LANKA **AFRICA** ALGERIA, ANGOLA, BENIN, CAMEROON, CANARY IS, CONGO, DJIBOUTI, EQUATORIAL GUINEA, ETHIOPIA, GABON, GAMBIA, GHANA, GUINEA, IVORY COAST, KENYA, LESOTHO, LIBERIA, LIBYA, MADAGASCAR, MALAWI, MAURITIUS, MOROCCO (ATLANTIC COAST), MOZAMBIQUE, NAMIBIA, NIGERIA, REP OF SOUTH AFRICA, SENEGAL, SIERRA LEONE, ST. HELENA, SUDAN, SWAZILAND, TANZANIA, TOGO, TUNISIA, UGANDA, WESTERN SAHARA, ZAMBIA

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