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

JOC INSIGHTS

MARCH 2014

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

A LARGE AND UNEXPECTED fall in fourth quarter trade from Brazil (down 11.8 percent YoY) and Argentina (down 13.5 percent YoY) proved to be insurmountable obstacles to positive annual growth in South-North market. U.S. containerized imports from the east coast of South America slipped 0.7 percent for the year, which includ¬ed another double-digit contraction in trade from Venezuela whose U.S.-bound shipments have plummeted from highs of 14,000 TEUs per quarter in the late 1990s to an average of just over 1,000 TEUs in recent times.

I have turned sour on this trade for 2014 but am revising higher our 2015 projections. First, the severe drought in Brazil will continue to plague the coffee trade, pushing 2014 to negative growth with a recovery expected beginning in early 2015. I expect good but not great shipment growth in housing construction goods as domestic supply shortages and higher interest rates are likely to cool the current recov¬ery in this sector. The auto parts and auto tires trade will be negative as well, partially owing to continued reduced output in Venezuela, which is now beset by political unrest. The stronger U.S. dollar will keep the trade from falling below 3.0 percent in 2014, but a robust expansion in this trade will have to wait until 2015 when the domestic housing and auto markets regain traction.

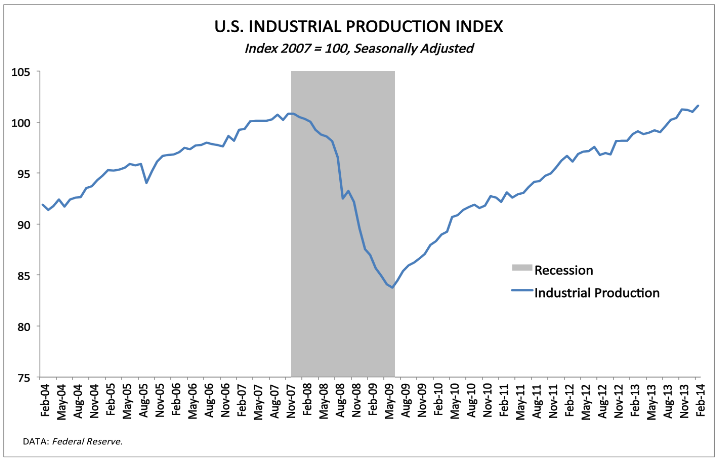
The outlook for U.S. exports to the east coast of South America, on the other hands, has deteriorated in the past quarter. Most signifi¬cantly, the economic situation in Venezuela has gone from bad to worse. An uneasy transition to the new president has led to widespread protests in response to Venezuela's long-standing problems, which include food shortages, double-digit inflation, rampant crime and a severe lack of liquidity. Not surprisingly demand for U.S. products has already been impacted, and a further decline in trade is expected this year. A modest contraction in traffic to Argentina is also anticipated. Low commodity prices, soaring inflation and a severely weakened currency will all serve to reduce demand for U.S. goods going forward. Brazil's economic and finan-cial markets have also been hurt by lower global commod¬ity prices, the result of softer demand, most notably from China. While the Brazilian real is not experiencing the same dramatic decline as the Argentine peso, the competitiveness of U.S. dollar-denominated goods has been significantly eroded.

This issue of JOC Insights presents my most updated forecasts on the North-South-North container trade, and a special analysis of U.S. mangoes imports. In the next issue of Insights, I will report on my recent interview with Peru's Minister of Commerce, Magali Silva, and succinctly touch on Peru's economy and trade.

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

THE SHIPPING ECONOMY

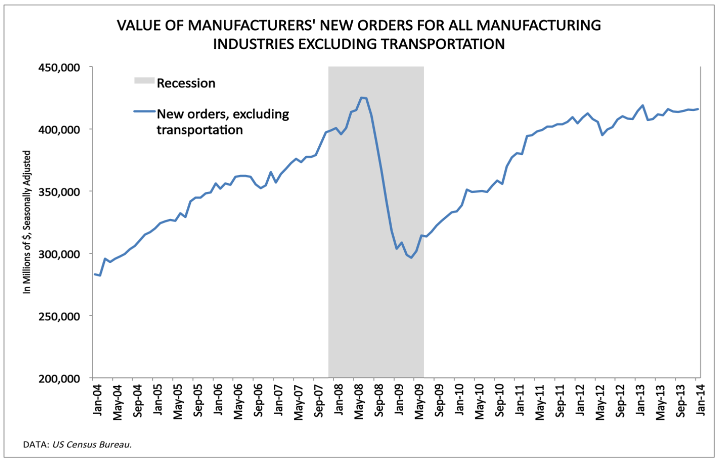
- ***U.S. manufacturing sector slowly recovering from adverse weather***
- ***U.S. ocean container trade rebounded in January boosted by higher imports***
- ***Retail sales rebounded in February***
- ***Outlook for existing home sales downgraded***
- ***China's manufacturing sector continues to face major headwinds***



FEBRUARY 2014: U.S. INDUSTRIAL PRODUCTION INDEX UP 0.6 PERCENT

U.S. industrial production rebounded in February after atypically adverse weather halted production in January. Overall industrial production rose 0.6 percent, following a contraction of 0.2 percent in January. The manufacturing component beat expectations for a 0.3 percent gain in the month, rising 0.8 percent instead. Excluding motor vehicles, manufacturing was still positive, up 0.5 percent.

Capacity utilization improved to 78.8 percent from 78.5 percent in January. It was a decent jump; however, we are still seeing slack capacity in

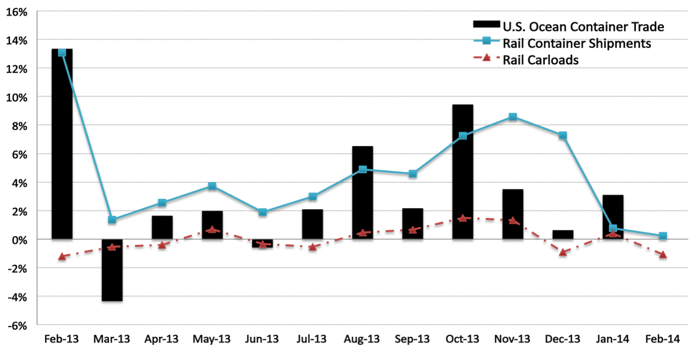


the factories. It's better to see the utilization rate bounce between 80 and 85. If the utilization rate rises above 85, we could begin to see inflationary bottlenecks in production.

Factory orders declined 0.7 percent in January 2014 following a downwardly revised contraction of 2.0 percent in December. Excluding the volatile component of transportation, new orders edged up 0.2. For all of 2013, orders excluding transportation expanded 1.9 percent, for a total close to $5.0 trillion — a new high. Watching factory orders closely is important because orders ripple through the economy with a significant impact on trade and container traffic.

U.S. OCEAN CONTAINER VOLUME, INTERMODAL CONTAINER VOLUME, RAIL CARLOAD VOLUME

Year-over-Year Percent Change



DATA: *PIERS; AAR*

U.S. OCEAN CONTAINER TRADE UP 3.1 PERCENT IN JANUARY

U.S. ocean container trade rebounded in January, led by increasing imports spurred by the early closing of Chinese factories. Trade rose 3.1 percent year-over-year, totaling 2.5 million TEUs.

Rail container shipments advanced only 0.2 percent year-over-year in February, while rail carloads declined 1.1 percent in the same month.

GLOBAL MANUFACTURING

	FEB-14	JAN-13	MOM	DIRECTION, RATE OF CHANGE
US PMI	**53.2**	**51.3**	**1.9**	**GROWING, FASTER RATE**
NEW ORDERS	54.5	51.2	3.3	GROWING, FASTER RATE
INVENTORIES	52.5	44.0	8.5	GROWING, FROM CONTRACTING
CHINA PMI	**48.5**	**49.5**	**-1.0**	**CONTRACTING**
GLOBAL PMI	**53.3**	**53.0**	**0.3**	**EXPANDING, FASTER RATE**

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

U.S. MANUFACTURING GREW AT FASTER RATE IN FEBRUARY

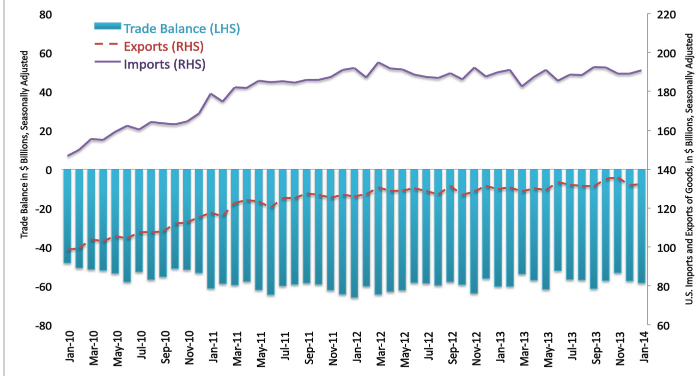
The U.S. manufacturing sector is slowly recovering from the unusually cold January. The PMI composite index gave a reading of 53.2, up 1.9 points over the prior month, indicating growth at a faster rate. New orders rose 3.3 points to a respectable reading of 54.5, but new export orders slid to 53.5, indicating growth at a slower rate. Supplier deliveries slowed sharply but that was mostly linked to weather disruption in shipping rather than mounting bottlenecks induced by increasing demand.

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.

China's manufacturing operating conditions modestly deteriorated in February, reflecting declines in both output and new business over the month. Employment levels declined as a result, at the quickest pace in nearly five years. Input costs declined at the fastest pace since June 2013, mainly because of weaker demand for inputs. Output charges declined in February for the third consecutive month.

U.S. TRADE BALANCE

In Billions of U.S. Dollars, SA



DATA: *U.S. Census Bureau*

JANUARY 2014: GOODS EXPORTS REBOUND; GOODS IMPORTS ADVANCE

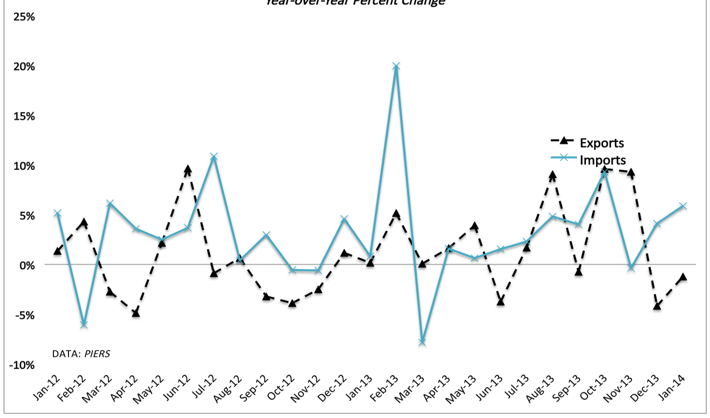
U.S. exports of goods rebounded just 0.5 percent in January from December. The rebound mostly reflected increases in industrial supplies, $1.2 billion; capital goods, $0.4. billion;, and consumer goods, $0.2 billion.

U.S. imports of goods advanced in January at the fastest pace since May 2013, up 0.9 percent over December. Gains in imports were mostly seen in industrial supplies, $3.7 billion; capital goods, $0.3 billion; and foods, feeds, and beverages, $0.2 billion.

The U.S. trade deficit in goods widened 1.9 percent to $58.5 billion.

U.S. CONTAINERIZED IMPORTS AND EXPORTS

Year-over-Year Percent Change



DATA: *PIERS*

U.S. CONTAINER TRADE

	JAN-14	MOM	YOY	YTD	2014(F)	2015(F)
IMPORTS	**1,573**	**9.7%**	**5.9%**	**5.9%**	**5.9%**	**7.5%**
EXPORTS	**959**	**-1.9%**	**-1.2%**	**-1.2%**	**1.8%**	**2.6%**

Source: PIERS; JOC Container Shipping Outlook, March 2014

JANUARY 2014: U.S. CONTAINERIZED IMPORTS UP 5.9 PERCENT; EXPORTS DOWN 1.2 PERCENT

U.S. containerized imports via ocean expanded 5.9 percent year-over-year in January after advancing 4.1 percent in the prior month.

Among the top 25 source countries, imports from China rose the most, up 65,990 TEUs year-over-year, or 25 percent. India followed with a gain of 6.984 TEUs, or 16 percent, while Vietnam gained 5,971 TEUs, or 14 percent. On the downside, U.S. imports from Hong Kong continued the downtrend.

Leading the gains among the top 25 imports were miscellaneous plastic products, up 19,159 TEUs year-over-year, or 53 percent; fabrics, up 10,920 TEUs, or 69 percent; and furniture, up 9,280 TEUs, or 5 percent. The largest declines were seen in menswear, down 6,146 TEUs, or 27 percent; miscellaneous apparel, down 4,506 TEUs, or 18 percent; and computers, down 3,452 TEUs, or 15 percent.

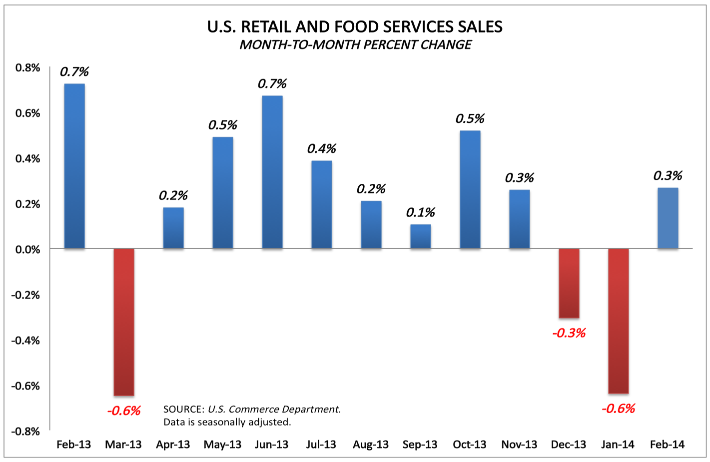
Among commodities, I expect to see continued gains in housing industry inputs and auto parts, but am less optimistic about consumer goods including toys and wearing apparel. Prior to a more robust recovery in these goods, the economy will have to undergo a sustained period of solid expansion with a significant reduction in equity market volatility.

Overall U.S. containerized exports via ocean declined 1.2 percent year-over-year in January to 958,708 TEUs, according to preliminary data from PIERS, the data division of JOC Group Inc.

Losses were seen in wastepaper, soybeans, mixed scrap metals and fabrics. On the upside, year-over-year gains were seen in field seeds and bulbs, logs and lumber, miscellaneous plastic products and animal feeds.

Among the top 25 export markets, shipments to the Hong Kong declined the most in January, down 8,775 TEUs year-over-year, or 25 percent. Shipments to Taiwan and Japan followed with losses of 4,800 and 4,545 TEUs, respectively. On the upside, exports to China jumped 16,623 TEUs, or 7 percent.

Given that projections for global economic conditions are virtually unchanged, I am making no appreciable revision to the 2014-15 U.S. containerized export forecast. My forecast for global growth, excluding members of the North American Free Trade Agreement, is 3.0 percent and is in line with the latest IMF projections. U.S. exporters will remain challenged by an appreciating U.S. dollar, while demand in Europe and Asia will show continued weakness.



RETAIL SALES UP 0.3 PERCENT IN FEBRUARY

Retail and food services sales in February increased 0.3 percent after a downwardly revised contraction of 0.6 percent in January. The strength in sales was found in motor vehicles and parts, which rebounded 0.3 percent after a 2.2 percent contraction in January. Similarly, U.S. containerized imports of auto parts via ocean rebounded modestly in January following two months of year-over-year contraction. Domestic auto sales are forecast to top 16 million units for the first time since 2007, which should support demand for auto parts imports going forward.

Gains were also seen in furniture and home furnishings, in line with January demand for foreign imports, which rose 5 percent by TEU volume year-over-year.

The retail inventory-to-sales ratio increased in January to 1.46 from December's 1.45 mainly because of the restocking rush ahead of the early Lunar New Year. PIERS data supports this view as U.S. containerized imports from China jumped 9 percent year-over-year in January.

U.S. HOUSING MARKET

	FEB-14	MOM	YOY	YTD	2014(F)
EXISTING HOME SALES	**4600**	**-0.4%**	**-7.1%**	**-6%**	**-9%**
NEW HOME SALES	**440**	**-3.3%**	**-1.1%**	**-1%**	**7%**
HOUSING STARTS	**907**	**-0.2%**	**-6.4%**	**-3%**	**2%**

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

NEGATIVE OUTLOOK FOR EXISTING HOME SALES IN 2014

Existing home sales continued on the downward trend, falling for the sixth time in seven months at minus 0.4 percent in February, following a sharp contraction of 5.1 percent in January. Tight supply, high prices and adverse weather held back sales, but the weak labor market is not a positive. I have downgraded the 2014 forecast for existing home sales from minus 5 percent to minus 9 percent.

Mainly because of the tight supply in the existing home market, I expect sales of new homes will expand 7 percent this year.

Housing starts slid 0.2 percent year-over-year in February, following a decline of 11.2 percent in January. Adverse weather likely impacted the start of foundations in the month. Despite a weak job market and rising mortgage rates, I expect housing starts will close the year up 2 percent. Overall permits jumped 7.7 percent in February after contracting 4.6 percent in January.

REAL GDP QUARTERLY GROWTH RATES ON A Y-O-Y BASIS AND ANNUAL FORECASTS

COUNTRY	Q4-2012	Q1-2013	Q2-2013	Q3-2013	Q4-2013	2013(E)	2014(F)
U.S.	**2.0**	**1.3**	**1.6**	**2.0**	**2.5**	**1.9**	**2.6**
CHINA	**7.9**	**7.7**	**7.5**	**7.8**	**7.7**	**7.7**	**7.2**
JAPAN	**-0.3**	**-0.1**	**1.3**	**2.4**	**2.5**	**1.7**	**1.7**
U.K.	**0.2**	**0.6**	**1.8**	**1.9**	**2.7**	**1.9**	**2.7**
GERMANY	**0.3**	**-0.3**	**0.5**	**0.6**	**1.4**	**0.5**	**1.4**

** Growth rate compared to the same quarter of previous year, seasonally adjusted. All countries except China display seasonally adjusted quarterly data.*

Source: OECD; EIU forecasts; in-house forecast - updated as of March 24, 2014

Economic optimism in the second half of 2013 was not limited to the U.S. The global economy performed better than expected in this period with a strong 4.7 percent showing in emerging and developing economies compensating for just 1.3 percent growth in the advanced economies. European economies remained stymied by fiscal imbalances, but evidence has emerged pointing to a resumption of positive growth for 2014 and 2015. While still burdened by high debt and weak domestic demand, euro-area export markets are expected to compensate while relatively easy credit conditions will keep the economy's "wheels greased" for the next two years. For the U.K., the IMF cites improved confidence and easy credit as the key factors supporting better economic growth for 2014-15.

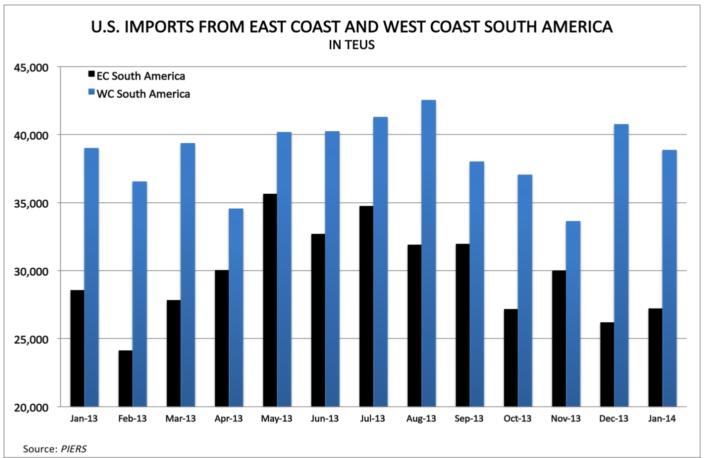
In Asia, the IMF predicts weak growth in Japan; in China, rising investment will be restrained by government efforts to curb price growth such that growth will settle at 7.5 percent through 2015. Growth in India will be supported by improving exports and structural reforms to encourage investment.

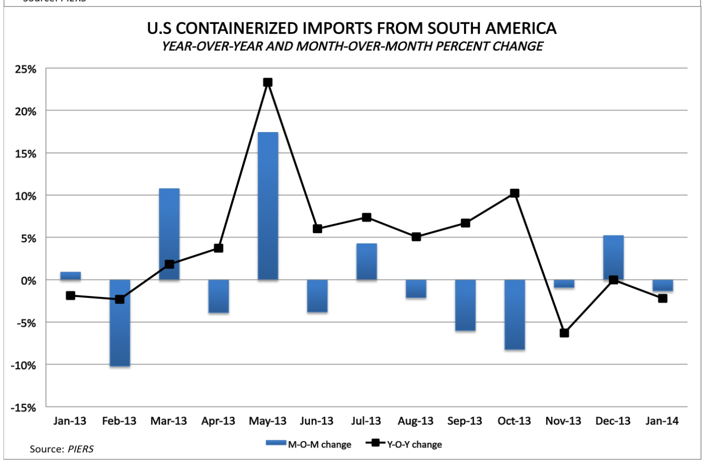
The economies of Latin America and the Caribbean slowed to 2.6 percent growth in 2013, compared with 3.0 percent in 2012, but regional powerhouse Brazil expanded at 2.3 percent in 2013, more than double 2012 expansion and a clear indication that this critical economy is poised for stable growth going forward. With Brazil leading, Latin American economies will post 2.0 and 3.3 percent growth for 2014 and 2015, respectively, slightly lower than the October IMF projections as weaker commodity prices push regional export earnings lower.

REGIONAL CONTAINER TRADE

- *Negative outlook for U.S. exports to South America this year*
- *Remarkable growth expected this year for U.S. imports from the west coast of South America*

IMPORTS FROM SOUTH AMERICA





IMPORTS, JANUARY 2014

TRADE LANE	TEUS	MOM	YOY	YTD	2014(F)	2015(F)
EC SOUTH AMERICA	27,198	3.9%	-4.7%	-4.7%	-3.0%	14.8%
WC SOUTH AMERICA	38,856	-4.7%	-0.4%	-0.4%	10.1%	13.1%

Source: JOC-PIERS Container Shipping Outlook March 2014 issue

JANUARY 2014: IMPORTS FROM SOUTH AMERICA DOWN IN TWO OF LAST THREE MONTHS

Inbound trade from the east coast of South America totaled 27,198 TEUs in January, down 4.7 percent year-over-year. Losses were mostly seen in tobacco, auto tires and auto parts. Imports from the west coast of South America slid 0.4 percent in January year-over-year to 38,856 TEUs, boosted by gains in bananas, auto tires and mandarin oranges.

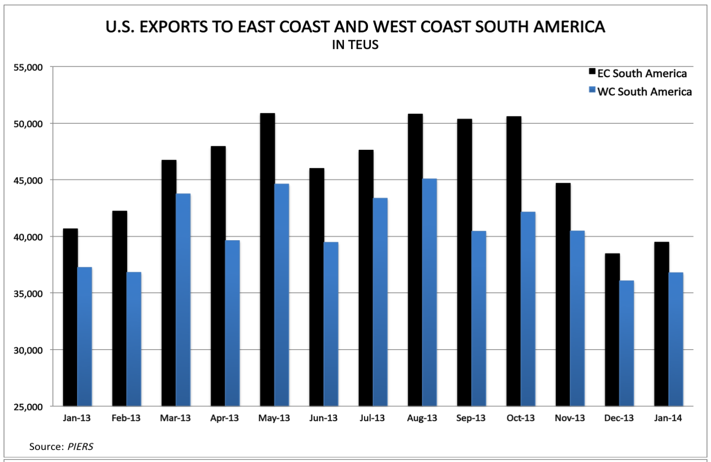
Total container imports from South America declined 2.2 percent in January year-over-year after no change in December, and totaled 66,054 TEUs. U.S. imports from the region were down year-over-year in two of the last three months.

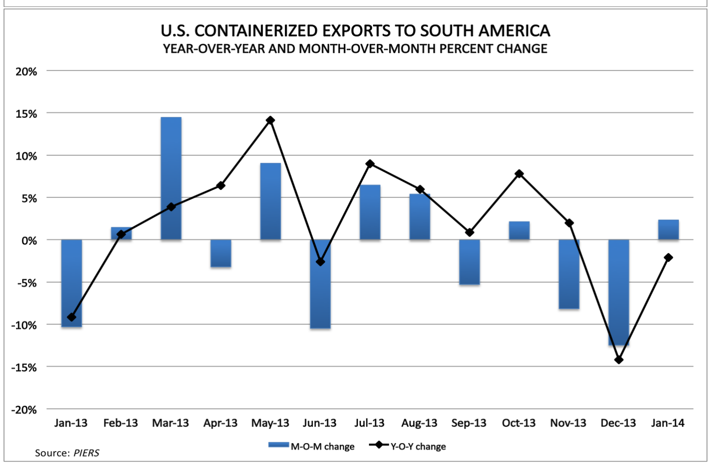
Month-to-month, imports from South America declined 1.3 percent in January.

I find little reason to materially revise the forecast for the west coast of South America-U.S. trade based on either technical or structural conditions. The 2014 outlook is only marginally lower than the December issue of Container Shipping Outlook as I am turning more cautious in the outlook for the U.S. housing construction industry.

I am also staying cautious regarding the region's output of top-ranked bananas. Because of a combination of labor unrest and plant diseases, banana production costs have been rising in Ecuador, Colombia and Peru, which are bound to result in higher prices and reduced demand in the U.S. However, I believe that continued favorability of exchange rates will overcome these obstacles going forward, leading to double-digit growth over the next two years.

EXPORTS TO SOUTH AMERICA





EXPORTS, JANUARY 2014

TRADE LANE	TEUS	MOM	YOY	YTD	2014(F)	2015(F)
EC SOUTH AMERICA	39,484	2.6%	-2.9%	-2.9%	-2.7%	4.0%
WC SOUTH AMERICA	36,788	2.0%	-1.3%	-1.3%	-2.3%	2.7%

Source: JOC-PIERS Container Shipping Outlook March 2014 issue

JANUARY 2014: EXPORTS TO SOUTH AMERICA FELL FOR 2ND STRAIGHT MONTH

Southbound shipments to the east coast of South America totaled 39,484 TEUs in January, down 2.9 percent from a year earlier. Losses were led by industrial resins, auto parts and wood pulp. Southbound trade to the west coast of South America declined 1.3 percent in the month year-over-year to a total of 36,788 TEUs, mostly dragged by falling demand for wastepaper, synthetic resins and wood pulp.

Trade to South America declined 2.1 percent in January year-over-year, totaling 76,272 TEUs, after a 14.2 percent year-over-year contraction in December. On a month-to-month basis, exports expanded 2.3 percent.

U.S. exports to the west coast of South America were not as strong as anticipated last year, and the forecast for 2014 year has been revised downward. The total level of shipments contracted in the fourth quarter of 2013, and Chile was the only market to experience a year-over-year increase. In terms of the fundamentals, while healthy regional economic growth is poised to continue, lower world metal prices, a vital commodity for this region, will weigh on the industrial sector. Combined with a strong Peruvian Nuevo sol and (to a lesser extent) Chilean peso, this will temper demand for U.S. dollar-denominated goods. As a result, a small contraction is now forecast for 2014, with volumes expected to decline 2.3 percent relative to 2013. This should be offset by a modest increase in shipments in 2015, currently forecast at 2.7 percent, as an improving global economy lifts commodity prices and thereby revenue for the region.

TOP COMMODITIES: SOUTH AMERICA

TOP U.S. IMPORTS FROM SOUTH AMERICA IN TEUS: JANUARY 2014

RANK	COMMODITIES	TEUS	MOM	YOY	2013 %
1	BANANAS	8,592	6%	3%	3%
2	FRUITS,MISC	5,545	9%	9%	9%
3	LOGS&LUMBER	3,028	-13%	-10%	-10%
4	VEGETABLES	2,396	-7%	1%	1%
5	STILL WINES	2,381	0%	-1%	-1%
6	PAPER/PAPERBOARD/WASTE	2,307	62%	26%	26%
7	COFFEE	2,281	-33%	-23%	-23%
8	VENEERS&PLYWOOD	1,786	-3%	0%	0%
9	AUTO&TRUCK TIRE&TUBES	1,685	-28%	-14%	-14%
10	WOODENWARE,MISC.	1,385	-3%	35%	35%

Source: PIERS

Demand for logs and lumber began to decline, given the setback in the residential construction sector.

TOP U.S. EXPORTS TO SOUTH AMERICA, JANUARY 2014

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER/PAPERBOARD/WASTE	7,058	12%	8%	8%
2	AUTO PARTS	2,871	5%	-20%	-20%
3	PLASTIC PRODS, MISC	2,646	-8%	48%	48%
4	SYNTHETIC RESINS,NSPF	2,524	28%	-19%	-19%
5	WOOD PULP	2,195	-10%	-19%	-19%
6	FABRICS,INCL.RAW COTTON	2,164	47%	38%	38%
7	VINYL ALCOHOL,PVC RESINS	2,116	-8%	-10%	-10%
8	PE,MELAMINE,UREA RESINS	1,826	59%	-52%	-52%
9	GROCERY PRODS,MISC.	1,455	22%	-7%	-7%
10	PETROLEUM/CRUDE/FUEL OIL	1,390	515%	821%	821%

Source: PIERS

Exports of industrial resins to the region fell sharply in January year-over-year.

PORT TRAFFIC

- ***Port of Los Angeles was top U.S. port in January, with volume of approximately 500,000 fully loaded TEUs***
- ***Port of Shanghai was China's top port in January with total traffic of nearly 3.0 million fully loaded and empty TEUs***

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In January 2014 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2014
1 LOS ANGELES	500	5.6%	500
2 LONG BEACH	450	5.3%	450
3 NEW YORK	325	-0.8%	325
4 SAVANNAH	207	12.8%	207
5 VIRGINIA PRTS	143	11.4%	143
6 OAKLAND	133	2.6%	133
7 HOUSTON	133	2.7%	133
8 TACOMA	116	9.8%	116
9 CHARLESTON	105	8.4%	105
10 SEATTLE	61	-36.5%	61

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

Top 10 ports handled 85.7 percent of the total U.S. international container traffic in January, up 0.3 percentage points from January 2013.

Container traffic at top-ranked Port of Los Angeles expanded 5.6 percent year-over-year in January, while traffic at the Port of New York and New Jersey continues to struggle.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In January 2014 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2014
1 SHANGHAI (上海)	2,997	2.7%	2,997
2 SHENZHEN (深圳)	2,180	5.6%	2,180
3 NINGPO ZHOUSHAN (宁波－舟山)	1,726	7.0%	1,726
4 QINGDAO (青岛)	1,486	6.8%	1,486
5 GUANGZHOU (广州)	1,260	4.4%	1,260
6 TIANJIN (天津)	1,031	7.0%	1,031
7 DALIAN (大连)	746	8.7%	746
8 XIAMEN (厦门)	650	5.2%	650
9 LIANYUNGANG (连云港)	438	-3.3%	438
10 SUZHOU (苏州)	341	-20.0%	341

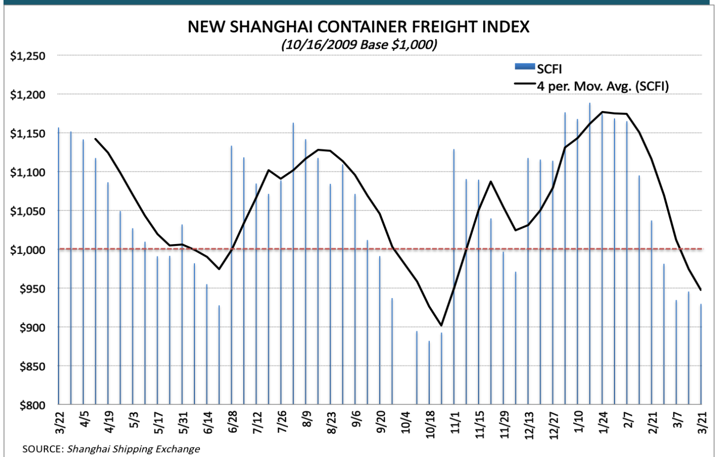
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

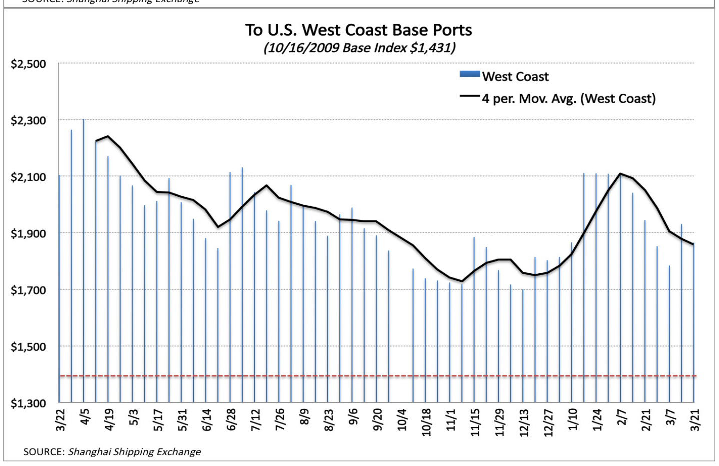
Container traffic at Port of Shenzhen expanded in December, up 5.0 percent year-over-year, while traffic at Shanghai declined 2.2 percent.

Container traffic at Port of Ningbo jumped 14.3 percent year-over-year in December, and it continues trending up.

INTERNATIONAL SHIPPING PRICES

◆ *Shanghai-to-U.S. spot rates largely on decline*





THE SHANGHAI CONTAINERIZED FREIGHT INDEX CONTINUED ON DOWNWARD TREND DESPITE RECENT GENERAL RATE INCREASE

The Shanghai Containerized Freight Index, which measures average export spot rates, declined on March 21 by $66 per 40-foot container (FEU) from the prior week, while losing 45 percent of the $147 gain achieved the week before from the Transpacific Stabilization Agreement's Asia-U.S. general rate increase of $300 per FEU.

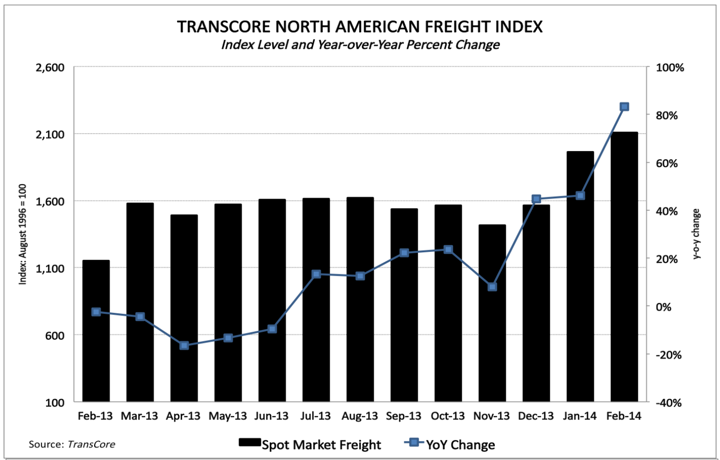
On March 21, the freight rate for the voyages from Shanghai to base ports on the U.S. West Coast was $1,865 per FEU, down 3.4 percent (or $66) over the prior week. Rates from Shanghai to the U.S. East Coast ports inched up 0.2 percent (or $6) in the week ending March 21 from the prior week, to $3,293 per FEU.

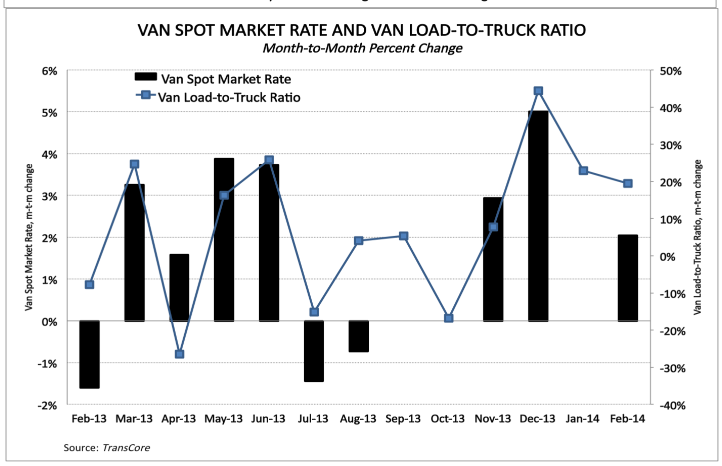
TSA members recently announced that the second stage of the general rate increase of $300 per 40-foot container is scheduled to take effect April 15, rather than the previously announced implementation date of May 1. There has been several other April 15 GRIs announced in the Asia-Europe lanes.

TRUCKING

◆ *Freight volumes rose in February to unprecedented level*

DOMESTIC TRUCKING PRICING





FEBRUARY 2014: FREIGHT INDEX UP 83 PERCENT YEAR-OVER-YEAR

Spot market freight availability climbed 7.5 percent, achieving unprecedented levels in the middle of the first quarter, which is typically the quietest time of year for freight transportation. Extreme winter weather across the country disrupted normal supply chain networks, sending freight to the spot market to meet capacity needs.

Compared to January, load availability rose 9.1 percent in February for vans and 16 percent for flatbeds, but only 1.3 percent for refrigerated (reefer) trailers.

Year-over-year freight volumes surged 83 percent to a new single-month record for the 18-year history of the DAT North American Freight Index. Van freight increased 87 percent, flatbed freight rose 71 percent, and reefer freight volume more than doubled with a 112 percent increase.

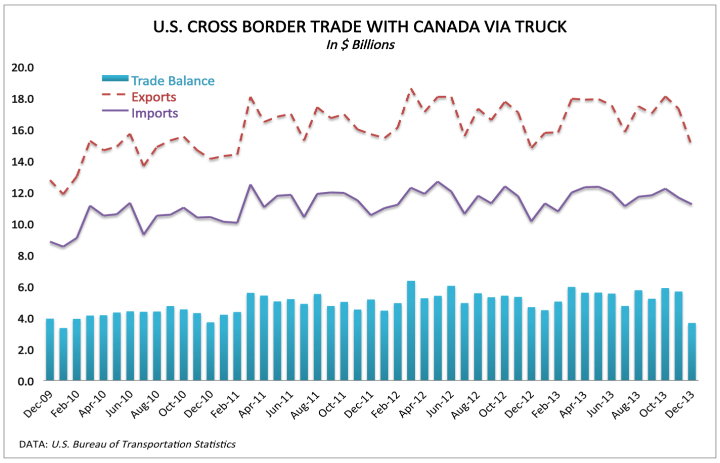
Capacity demands boosted spot market rates to atypical highs in February, especially for vans and reefers. This is evidenced in the year-over-year increase in all three major equipment types, as 23 percent for vans, 14 percent for reefers and 4.7 percent for flatbeds. Compared to January, which had similar weather disruptions to the supply chain an unseasonal freight on the spot market, rates rose a more modest 2.7 percent for vans and 6.7 percent for reefers, but declined 1.3 percent for flatbeds.

DAT RateViewTM recorded a 3 cents (2.0 percent) month-to-month increase in the national average spot market line haul-rate for dry vans in the U.S. in February, not including fuel surcharges. The fuel surcharge for vans increased from 48 cents to 49 cents during the period, so the total rate rose 4 cents (2.6 percent) to an average of $1.99 per mile, including fuel.

The rate increase was spurred by a month-over-month surge of 9.1 percent in load availability and an 8.7 percent drop in truck capacity on the company's DAT Load Boards. This yielded a 19 percent increase in the load-to-truck ratio for dry vans on the spot market, from 4.5 available loads per truck in January to 5.4 in February.

On a year-over-year basis, load volume rose 87 percent for vans in February, while capacity contracted 21 percent. The resulting load-to-truck ratio more than doubled, increasing 137 percent from 2.3 to an atypically high 5.4, compared to February 2013.

Van spot market rates rose 27 cents (22 percent) compared to February 2013, not including fuel surcharges.



U.S. TRADE SURPLUS WITH CANADA VIA TRUCK NARROWED TO $3.7 BILLION IN DECEMBER

U.S. exports to Canada via truck edged up 0.6 percent in December year-over year, and totaled $14.9 billion. Exports to the U.S. northern neighbor have expanded year-over-year for six consecutive months albeit at a modest pace. For all of 2013, exports to Canada via truck rose only 0.5 percent, which compared unfavorably with the 3.8 percent expansion seen in 2012.

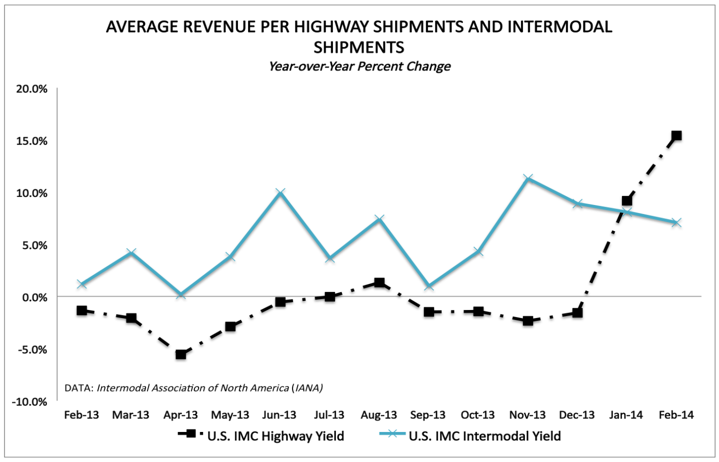
After declining for two consecutive months, U.S. imports from Canada via truck rebounded strongly in December, up 10.8 percent year-over-year, totaling $11.2 billion. For all of 2013, U.S. imports from Canada via truck increased only 1.0 percent — a much more modest pace compared to the 2.5 percent rate of expansion seen in all of 2012.

U.S. trade surplus with Canada narrowed to $3.66 billion in December from $5.67 billion in November.

RAIL

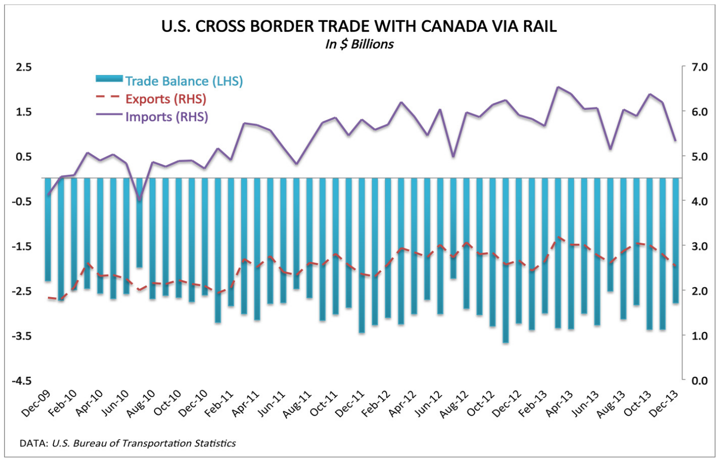
- ***U.S. exports to Canada via rail fell in December for first time in four months***
- ***U.S. rail transportation of lumber struggles as housing starts cool***

The average revenue per highway load strengthened further in February, up 15.4 percent year-over-year to $1,619. From January to February, the average revenue increased 3.0 percent (or $47).



FEBRUARY 2014: AVERAGE REVENUE PER HIGHWAY SHIPMENTS UP 15.4 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMEMTS UP 7.1 PERCENT

The average revenue per intermodal load advanced 7.1 percent to $2,816, after rising 8.1 percent in the prior month. From January to February, the intermodal yield increased 2.2 percent (or $59).

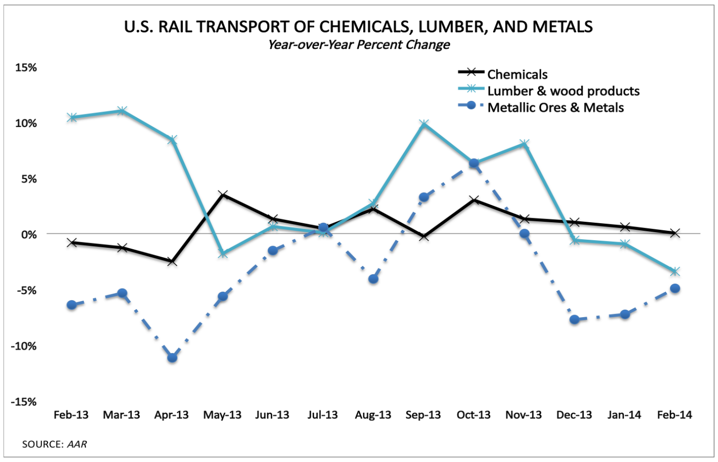


U.S. TRADE DEFICIT WITH CANADA VIA RAIL NARROWED TO $2.79 BILLION IN DECEMBER

U.S. exports to Canada via rail fell for the first time in four months, still reflecting a weak Canadian economy. The trade declined 4.7 percent in December year-over-year, totaling $2.5 billion. For all of 2013, exports to Canada via rail expanded 2.7 percent year-over-year, which compares unfavorably with the 11.8 percent rate of expansion seen in 2012.

U.S. imports from Canada via rail expanded declined for the second straight month year-over-year, reflecting a slowdown in the U.S. economy in the fourth quarter. Imports fell 9.8 percent in December year-over-year, totaling $5.3 billion. For all of 2013, U.S. imports from Canada via rail were up 2.2 percent year-over-year — slower than the 7.4 percent rate of expansion seen in 2012.

The U.S. trade deficit with Canada via rail narrowed to $2.79 billion in December from $3.38 billion in November.



FEBRUARY 2014: LUMBER AND METALS CARLOADS DOWN; CHEMICALS UNCHANGED

After growing at under 1 percent in December and January, U.S. chemical carloads stood unchanged in February year-over-year and totaled 121,164, underscoring the softness in this industry.

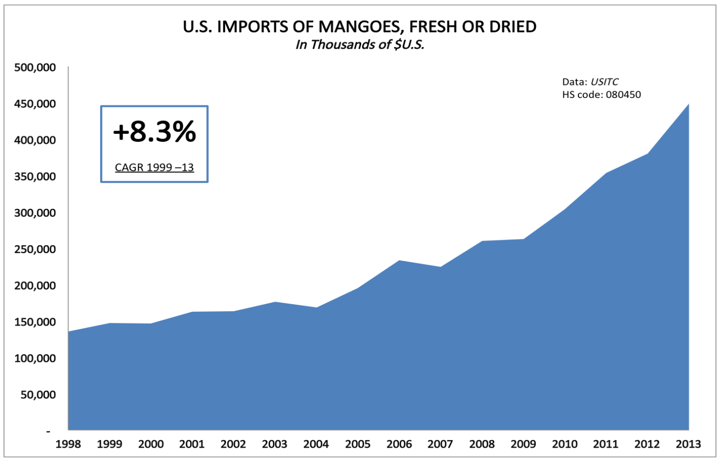
U.S. lumber and wood products carloads fell 3.4 percent year-over-year in January, following two months of year-over-year declines. The three-month year-over-year decline reflected a setback in the home construction market.

Rail transportation of metallic ores and metals fell 4.9 percent year-over-year in February after contracting in the prior two months.

COMMODITY SNAPSHOT

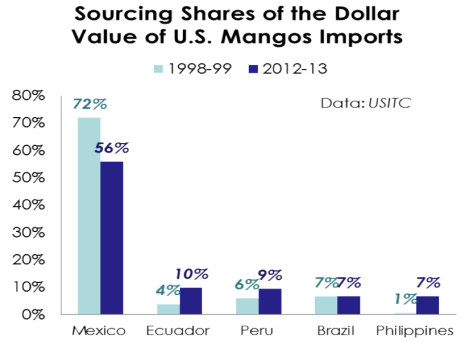
- ***U.S. mangoes imports have grown at a remarkable pace in the last 15 years***
- ***Ecuador, Philippines more than doubled their shares of U.S. mangoes imports market***

SELECTED COMMODITY: *MANGOES*



VALUE OF U.S. IMPORTS OF MANGOES EXPANDED 8.3 PERCENT A YEAR OVER 1999-2013

U.S. imports of mangoes (HS code 080450) jumped 18.2 percent in 2013, totaling $448.9 million. This marked the sixth consecutive yearly expansion for mangoes imports. The value of U.S. mangoes imports has grown exponentially in the last 15 years at an annual rate of 8.3 percent partly because of a growing Hispanic population. According to a 2010 study, the U.S. population is currently facing a changing ethnic makeup, and in the long run this is definitely favorable to fresh produce consumption because Hispanics and Asian Americans consume fruits (and vegetables) at higher rates than African Americans and whites. A recent U.S. Census study found that over the last 20 years Hispanics (and Asian Americans) have consistently increased their share of the U.S. population, and by the end of 2060, Hispanics will represent 31 percent of the U.S. population, up from 17 percent in 2012.

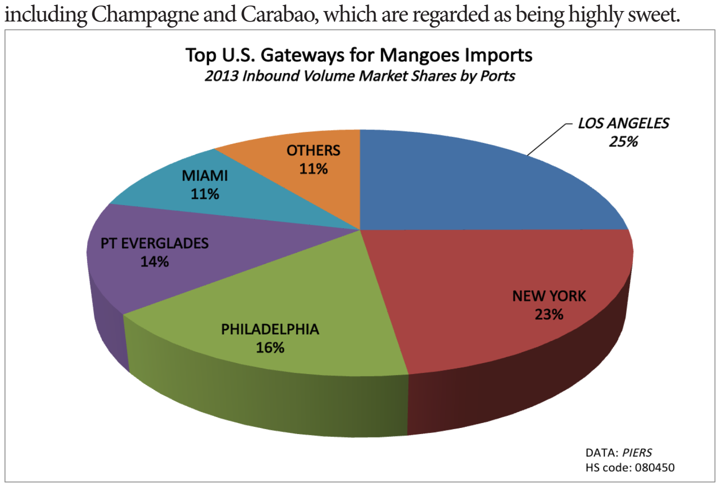


MEXICO IS TOP SUPPLIER BUT ECUADOR AND PHILIPPINES MORE THAN DOUBLED SOURCING SHARE

As measured by import value, Mexico is by far the largest supplier of mangoes to the U.S., holding 56 percent of the market in 2012-13, down 16 percentage points from 1998-99.

The warm climate, long growing season, and proximity to the United States have been Mexico's advantages over its rivals. But Ecuador has seen its sourcing share increase by more than double over the last 15 years, while third-largest supplier Peru increased its sourcing share by 3 percentage points over the same period of time, boosted by the 2009 implementation of a free trade agreement with the U.S.

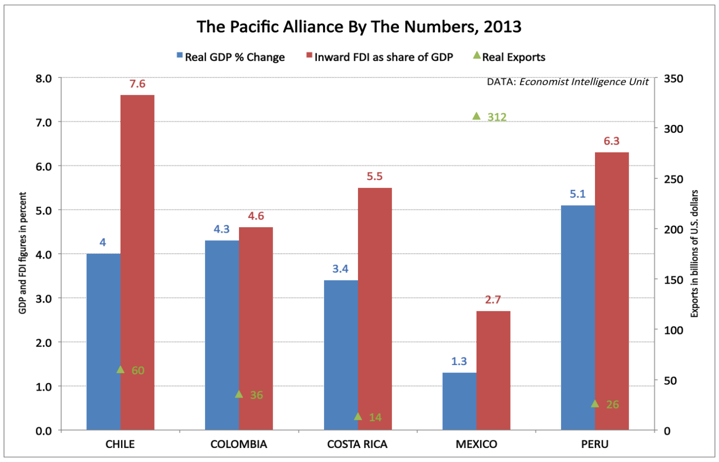
Philippines surprised to the upside, rising from a mere 1 percent in 1998-99 to 7 percent in 2012-13, thanks to the great demand for the many mango varieties including Champagne and Carabao, which are regarded as being highly sweet.



PORT OF LOS ANGELES GAINED MOST IMPORT TRAFFIC OF MANGOES IN 2013

In 2013, Port of Los Angeles handled 25 percent of the total TEU volume of U.S. mango imports, up 5 percentage points from a year earlier, while the Port of New York and New Jersey handled 23 percent of all imports, unchanged from a year earlier. Port of Philadelphia gained 1 percentage point of import traffic in 2013 compared to 2012, while the Port of Miami gained 2 percentage points of import traffic over the same period of time.

SPECIAL BRIEF



THE PACIFIC ALLIANCE WELCOMES NEW MEMBER: COSTA RICA

The Pacific Alliance is a trade block that seeks to create a Latin American gateway to Asian markets. Its current member states are Chile, Colombia, Mexico and Peru; together they account for more than one-third of Latin America's GDP and more than half of the region's exports. The alliance's goals include free trade, further economic integration among the member states, and free circulation of persons, all of which resemble the beginnings of the European Union. Officially launched on June 2, 2012, the alliance could become the most prominent way to prosperity for the Latin American economies — a venue for growing transportation and trade.

If counted as a single country, the alliance would be the eighth-largest economy in the world with nominal GDP at purchasing power parity of approximately $ 3.4 trillion. According to the Economist Intelligence Unit, the member states together exported about $448 billion in 2013.

On Feb. 10, Costa Rica started the process of joining the Pacific Alliance so that it can be readily incorporated as the fifth member. In terms of gross domestic output, Costa Rica would be the smallest player in the alliance; however, foreign direct investment in Costa Rica is quite respectable at 5.5 percent as a share of GDP, which is higher than Colombia and Mexico's respective shares. Costa Rica is a great source of human capital and talent, ranked No. 1 in Latin America in the first edition of the Human Capital report developed by the World Economic Forum.

The alliance has gathered so much international interest that it currently has 30 observers, China being one of them. I can't recall an alliance with that many observers. Panama is finalizing a trade deal with Mexico in April, which will better position it to join the Pacific Alliance. Having a FTA with each member state is a prerequisite before joining the trade alliance. According to the 2014 Global Competitiveness Index from the World Economic Forum, Panama is the world's 40th most competitive economy, and second in Latin America and Caribbean. Panama is also the fastest growing economy in the region at 7 percent per annum.

The alliance has a fairly decent chance of success, but the countries should quickly acknowledge the hard work ahead. For instance, competitiveness must be improved, hard infrastructure must be strengthened, and human capital must be trained to meet the ever increasing challenges of today's global labor market. The limited size will prove to be advantageous for the alliances' goals, and they should be extra careful about whom they allow to join in. The whole world is watching.

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

CONTACT INFORMATION

2 PENN PLAZA EAST, 12TH FLOOR • NEWARK, N.J. 07105 • 973.776.8660

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SALES
MICHAEL SESULKA, Account Executive
msesulka@piers.com
973.776.7838

AUTHORED BY
MARIO O. MORENO, Economist
mmoreno@joc.com
973.776.7850
twitter.com/mariomoreno_JOC