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

JOC INSIGHTS

MAY 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 U.S. container trade, an overview of U.S. – Central America & Caribbean container trade, and a special analysis of U.S. beer imports in the context of the upcoming FIFA World Cup.

The end of 2013 saw the U.S. economy at the brink of a long-awaited acceleration of growth to long-term trend. Most forecasters agreed late in 2013 that after five years or more of stagnant income and falling employment, conditions were finally right for a significant move forward. This optimism was supported by a vote of confidence from the Fed which committed to a gradual reduction in its quantitative easing program to end in December this year. The labor market appeared to be tightening and inflation remained under control. But the effects of one of the coldest and snowiest winters on record stopped this expansion in its tracks. The weather clamped down hard on key industrial sectors and consumer spending. According to the U.S. Bureau of Economic Analysis' (BEA) second GDP estimate put growth at minus 1 percent in Q1, revised downward from +0.1 percent.

Going forward, the U.S. economy will recover from 2014's winter but it will be private sector that leads the way. Expansionary fiscal policy has already reversed course as budgetary realities have limited any further spending programs designed to support growth. In fact, the U.S. government has slashed spending in real terms owing to mandated budget cuts that have affected all agencies. And now that monetary stimulus is being phased out the economy is likely to face higher interest rates by mid-2015 as warding off potential inflation become a more critical objective of Fed policy.

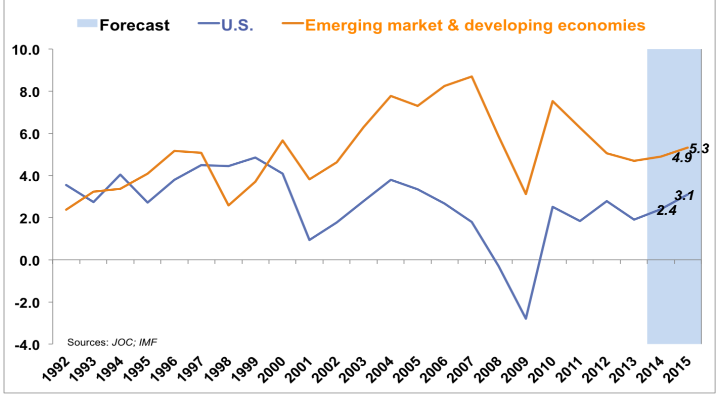
The removal of government and Fed stimulus has some analysts worried that the recovery will fade quickly. To avoid this, hopes are being pinned on the economic health of the private sector, the logic being that improved employment, income and wealth has generated enough consumer confidence to drive an acceleration of spending. This is not an unreasonable expectation; however, one should remember that much of the employment gains have been made in relatively low-wage occupations while significant numbers of unemployed workers have simply given up their job search, in some cases retiring early. As such, the removal of stimulatory influences comes with significant risk and may have to be re-evaluated later in 2014.

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

THE SHIPPING ECONOMY

- ***U.S. economy decelerated sharply in first quarter on adverse weather effects, inventory accumulation retreat.***
- ***Asia-Europe westbound trade expanded strongly in first quarter.***
- ***Global manufacturing sector grew in April at slower rate on lower production and new orders.***
- ***April home sales data was positive, but market will continue to face headwinds.***
- ***U.S. retail sales edged up in April over strong March, while U.S. imports via ocean container expanded almost 8 percent year-over-year in April.***

Real GDP Growth of U.S. and Developing Economies



EMERGING MARKETS AND DEVELOPING ECONOMIES WILL CONTINUE TO FACE SIGNIFICANT CHALLENGES

Global economic activity has strengthened and will improve further in the next two years led by the advanced economies, although their recoveries remain uneven. In the U.S., annual growth for 2014 is projected to rise 2.4 percent, downgraded from 2.8 percent as adverse weather and payback from previous inventory demand increases brought the economy to a near halt in the first quarter. For 2015, however, annual growth is projected to rise 3.1 percent, slightly upgraded from 3.0 percent.

In emerging Asia, China's economy expanded 7.7 percent over the 2012-13 period but will fall short of that rate for the next two years. The IMF predicts growth of 7.5 and 7.3 percent for 2014 and 2015, respectively, as China's external markets in the U.S. and Europe have curbed growth in spending on imports. China's transition to a domestic-demand driven economy has yet to take root, though there are increasing signs of progress in this area. Rapid expansion of credit has Chinese monetary authorities worried that it could lead to inflation. Efforts to rein in the credit markets will play a key role in limiting economic growth going forward.

Weakening commodity prices are partially behind only modest expectations for the economies of Latin America and the Caribbean. Substantially slower growth in Brazil during the next two years will weigh heavily on regional incomes, though improving conditions in Mexico will partially counteract Brazil's sluggishness. Nevertheless, the region will be unable to escape the impact of declining world commodity prices for everything from bananas to coffee to copper.

GLOBAL MANUFACTURING

	APR-14	MAR-14	MOM	DIRECTION, RATE OF CHANGE
US PMI	**54.9**	**53.7**	**1.2**	**GROWING, FASTER RATE**
NEW ORDERS	55.1	55.1	0.0	GROWING, SAME RATE
INVENTORIES	53	52.5	0.5	GROWING, FASTER RATE
CHINA PMI	**48.1**	**48.0**	**0.1**	**CONTRACTING, SLOWER RATE**
GLOBAL PMI	**51.9**	**52.4**	**-0.5**	**EXPANDING, SLOWER RATE**

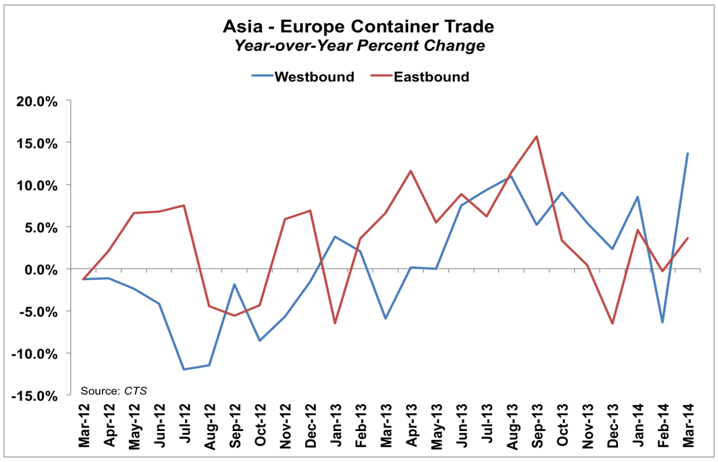
Source: Institute for Supply Management; Markit; HSBC; JPMorgan

GLOBAL MANUFACTURING ACTIVITY EXPANDED AT SLOWER RATE

The global manufacturing sector expanded in April at a slower rate, mostly because of sluggish growth in production and new orders. Manufacturing output and new business in Japan declined sharply following a recent hike in sales tax, but the downturn may be brief. Conditions in other Asian markets remained subdued, with falling output in China, South Korea and Indonesia. In contrast, manufacturing activity in the U.K. and U.S. remained bright spots, while production growth in the eurozone reached a three-month high. International trade flows rose again in April.

In the U.S., the manufacturing sector grew at a faster rate, according to the Institute of Supply Management, with inventory readings showing a bit of restocking activity in raw materials. Growth in new orders was unchanged.

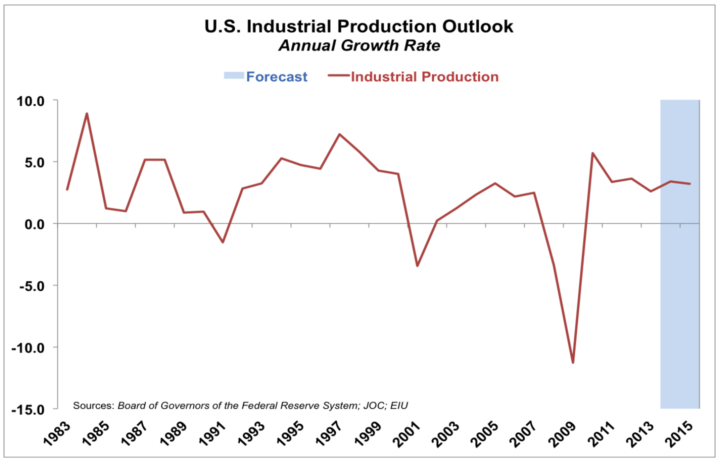
Tracking economic data such as the ISM manufacturing index is important because the manufacturing sector is a major source of cyclical variability in the economy, with tremendous influence over transportation and trade.



ASIA-EUROPE WESTBOUND TRADE BETTER THAN EXPECTED IN MARCH

Asia exports to Europe were better than expected in March, up 13.7 percent year-over-year versus my expectation for 6.0 percent growth. For the first quarter of the year, the westbound leg expanded 6.1 percent year-over-year, and totaled approximately 3.5 million TEUs. The eurozone returns to positive (1.2 percent) growth in 2014 and though tepid will remain above zero through 2015 on significant improvements in Germany and a slower pace of fiscal tightening across the area. Contributions from net exports are positive, and domestic demand has stabilized. Yet, while euro-area growth has been positive for four consecutive quarters, domestic demand is exceedingly weak and credit markets are tight as the corporate and banking sectors continue to struggle with impaired balance sheets. Overall eurozone economy is more than 2 percent smaller than it was before the financial crisis hit and could take several years before these economies fully recover.

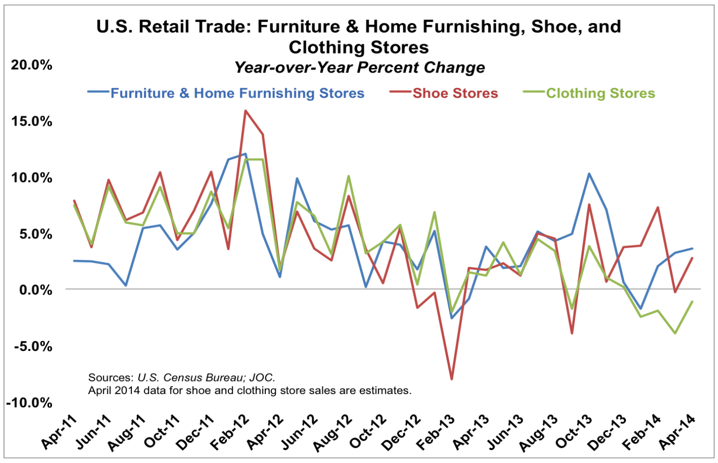
For April 2014, I am expecting growth of 5.8 percent year-over-year for the westbound leg of the Asia-Europe trade.



U.S. INDUSTRIAL PRODUCTION SURPRISED TO DOWNSIDE IN APRIL

U.S. industrial production surprised to the downside in April but followed strong gains in the prior two months. Industrial production declined in April by 0.6 percent, and followed an upwardly revised gain of 0.9 percent in March. By major components, manufacturing fell 0.4 percent and when excluding motor vehicles, manufacturing similarly fell 0.4 percent. Mining rose 1.4 percent, while utilities tumbled 5.3 percent. For all of 2014, industrial production is forecast to increase 3.4 percent, up from 2.6 percent in 2013.

Capacity utilization declined sharply to 78.6 percent from 79.3 percent in March.



RETAIL SALES EDGED UP IN APRIL AFTER A STRONG MARCH

U.S. retail and food services sales in April edged up 0.1 percent from March seasonally adjusted following an upwardly revised jump of 1.5 percent. It appears to be a leveling off in sales after two strong months of pent-up demand on the back of better weather conditions. Excluding autos, sales were unchanged following a 1.0 percent gain in March.

In the core, furniture sales improved modestly in April, up 3.6 percent year-over-year following an upwardly revised gain of 3.2 percent in March. Sales at furniture and home furnishing stores may see a bit of a boost in the short run as home sales and home inventory improved (page 3). U.S. furniture imports via ocean container rose 4.0 percent year-over-year in April after sliding 0.9 percent in the first quarter. I estimate sales at shoe stores expanded 2.7 percent in April year-over-year after dipping in March for the first time in six months. Meanwhile, sales at clothing stores may have dropped in April for the fourth consecutive month on sluggish demand. U.S. imports of apparel via ocean container tumbled 17 percent year-over-year in the first quarter of the year.

The retail inventory-to-sales ratio declined in March to 1.42 from February's 1.44 as sales improved.

U.S. HOUSING MARKET

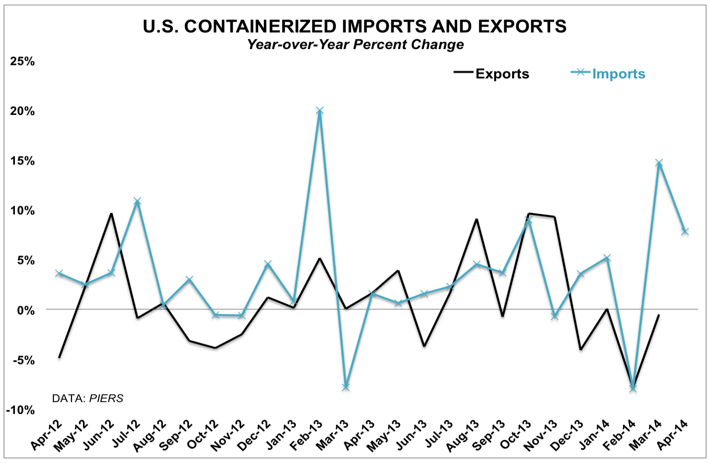
	APR-14	MOM	YOY	YTD	2014(F)
EXISTING HOME SALES	4,650	1.3%	-6.8%	-7%	-9%
NEW HOME SALES	384	-14.5%	-13.3%	0%	-1%
HOUSING STARTS	1,072	13.2%	26.4%	4%	9%

*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 rebounded 1.3 percent in April to its highest level in four months. Nevertheless, year-over-year, sales are still down for the sixth straight month on the back of tight supply, unattractive mortgage rates and high prices. The highlight of the April sales report is that supply jumped 17 percent over March when normal historical gains in April are around 10 percent. Higher home inventory implies more sales opportunities and consumption in the backdrop of a growing economy. Despite April's gain, the outlook for existing home sales this year continues to look grim. I have slightly upgraded the 2014 forecast for existing home sales from minus-10 percent to minus-9 percent.

Housing starts topped expectations in April and jumped 13.2 percent year-over-year, following a modest increase of 2.0 percent in March. Overall permits gained 8.0 percent after sliding 1.1 percent in the prior month. Tight supply in the existing home sales market is supporting growth of 4 percent in housing starts year-to-date. For all of 2014, I now expect growth of 9 percent in housing starts, upgraded from 2 percent.



U.S. CONTAINER TRADE

	APR-14	MAR-14	YOY	YTD	2014(F)	2015(F)
IMPORTS	1,589	1,435	14.7%	3.6%	6.1%	7.0%
EXPORTS	N/A	1,075	-0.5%	-2.8%	-0.7%	3.5%

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

U.S. CONTAINERIZED IMPORTS FORECAST TO GROW 6.1 PERCENT IN 2014, SLIGHTLY UPGRADED

U.S. containerized imports via ocean advanced almost 8 percent year-over-year in April, partly reflecting early shipments as shippers seek to avoid a potential disruption at West Coast ports tied to longshore labor negotiations.

Among the top 25 source countries, imports from Chile saw the biggest volume increase, up 39 percent or 5,796 TEUs year-over-year. Spain and Turkey followed with growth of 30 and 26 percent, respectively, while mainland China saw an increase of 7 percent. On the downside, U.S. imports from Honduras and Hong Kong contracted 10 percent each.

Gains among the top 25 imports were mostly seen in miscellaneous plastic products, up 43 percent; fabrics, including raw cotton, up 35 percent; and woodenware, up 35 percent. On the downside, losses were seen in menswear, miscellaneous apparel and computers.

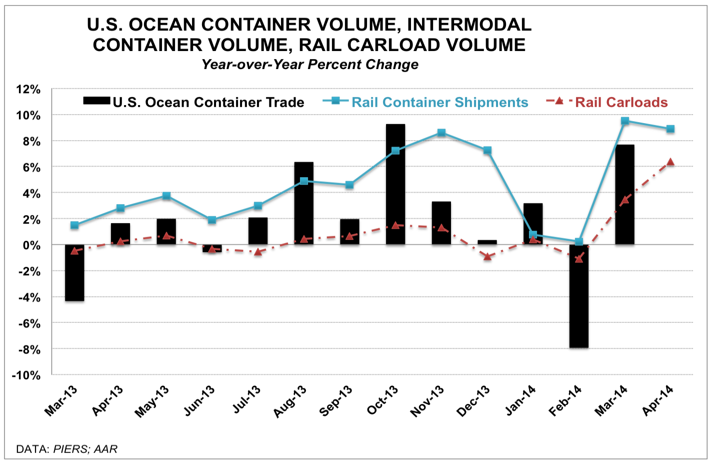
Consumer spending is improving thanks to a slow but steady recovery in the labor market. Access to credit is easier than in previous years, while household debt as a percentage of disposable income has come down from very high levels. Retailers took note of this and have restocked accordingly, benefiting the eastbound trans-Pacific trade. For all of 2014, U.S. containerized imports via ocean are forecast to grow 6.1 percent, slightly upgraded from 5.9 percent.

Overall U.S. containerized exports via ocean slid 0.5 percent year-over-year in March to 1,075,428 TEUs on slower demand.

Among the top 25 exports, most year-over-year losses were seen in metal scrap, medical equipment and fabrics. On the upside, year-over-year gains were seen in field seeds and bulbs, miscellaneous plastic products and logs and lumber.

Among the top 25 export markets, shipments to Saudi Arabia declined the most in March, down 17 percent year-over-year. Shipments to Vietnam and Hong Kong followed with losses of 14 and 13 percent, respectively. On the upside, exports to Panama and Chile jumped 27 and 18 percent, respectively.

Global demand continues to be weak, as evidenced by declining exports of scrap metals and paperboard. For the first quarter, exports totaled lower volume than expected, calling for a downward revision to the 2014 export outlook.



RAIL TRAFFIC STRENTHENED MARKEDLY IN APRIL

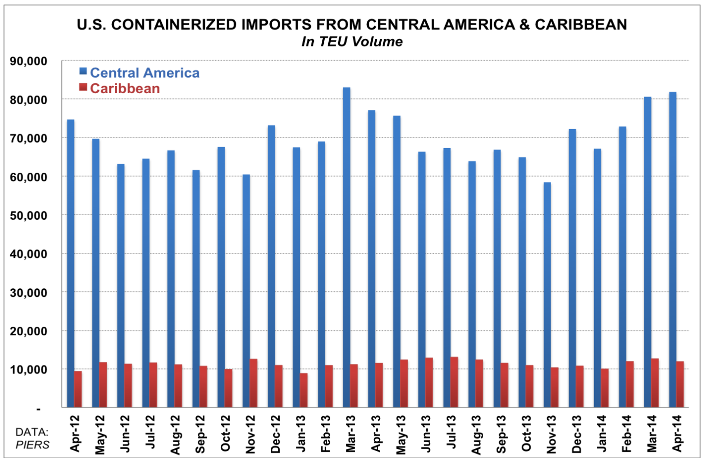
U.S. ocean container trade rebounded sharply in March as expected, mostly led by inbound traffic. The trade is expected to rise again in April as evidenced by the strong container traffic figures posted by the ports of Los Angeles and Long Beach and April rail traffic.

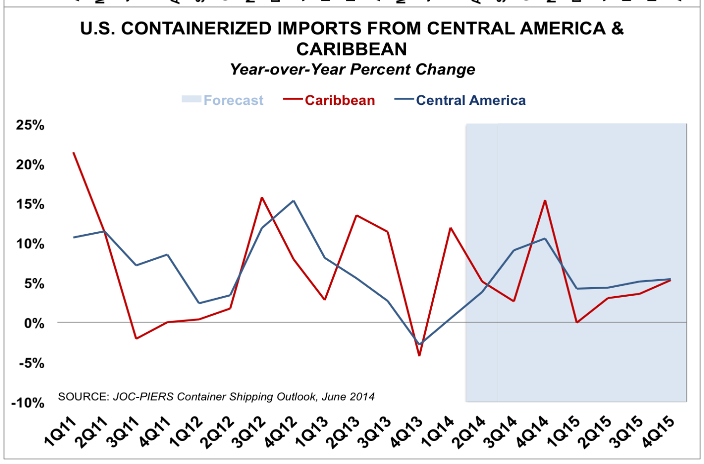
Rail container shipments improved further in April, expanding 8.9 percent year-over-year, while rail carloads increased 6.4 percent in the same month. Rail carloads saw its biggest year-over-year increase since April 2012.

REGIONAL CONTAINER TRADE

- *U.S. imports from Central America to grow almost 6 percent this year.*
- *U.S. exports to Central America rose for first time in seven months.*

IMPORTS FROM CENTRAL AMERICA AND CARIBBEAN





IMPORTS, APRIL 2014

TRADE LANE	TEUS	MOM	YOY	YTD	2014(F)	2015(F)
CENTRAL AMERICA	**81,808**	**1.6%**	**6.1%**	**2.0%**	**5.8%**	**4.8%**
CARIBBEAN	**11,864**	**-6.0%**	**3.3%**	**9.6%**	**8.4%**	**3.0%**

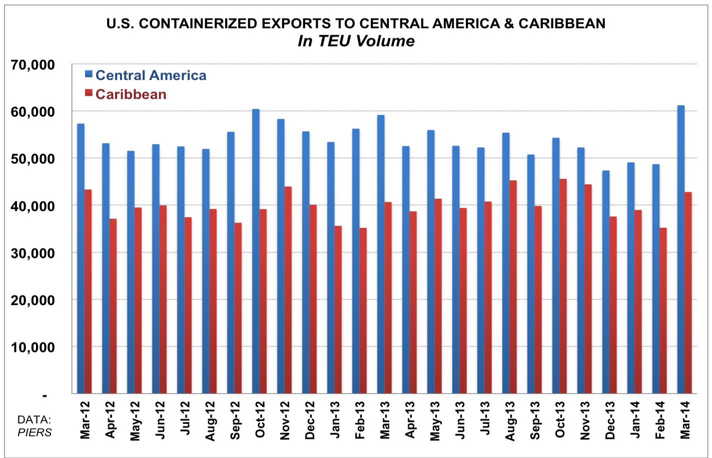
Source: JOC-PIERS Container Shipping Outlook June 2014 issue

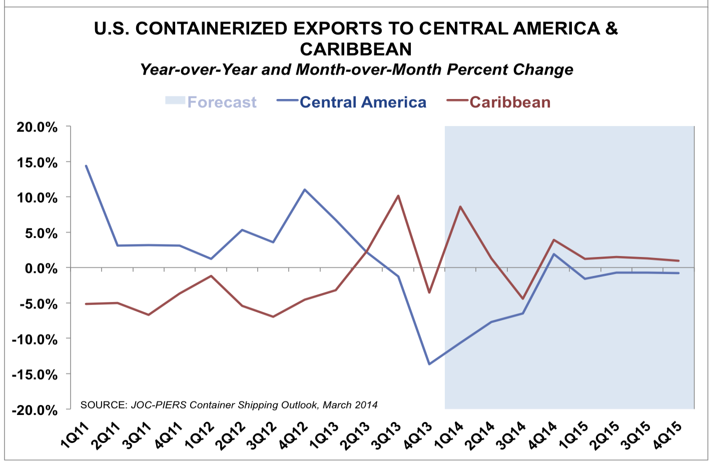
POSITIVE OUTLOOK FOR U.S.-CENTRAL AMERICA NORTHBOUND TRADE

Inbound trade from Central America rebounded in April 6.1 percent year-over-year, following a drop of 3.0 percent in March. Most gains were seen in miscellaneous fruits, wearing apparel and coffee. Year-to-date, through April, imports were up 2.0 percent, totaling 302,336 TEUs. Going forward, I expect imports of off-season fruits will continue to drive much of the growth this year as drought in California restricted domestic output. At the same time, the stronger U.S. dollar and improved economic performance will make Central American goods even more attractive to U.S. consumers this year. On the downside, the northbound coffee trade will be limited because of falling output. I slightly downgraded the outlook for the U.S.-Central America northbound trade this year, from 6.5 percent to 5.8 percent.

Inbound trade from the Caribbean advanced in April for the fourth consecutive month year-over-year, up 3.3 percent. Year-to-date, imports were up 9.6 percent and totaled 46,380 TEUs.

EXPORTS TO CENTRAL AMERICA AND CARIBBEAN





EXPORTS, MARCH 2014

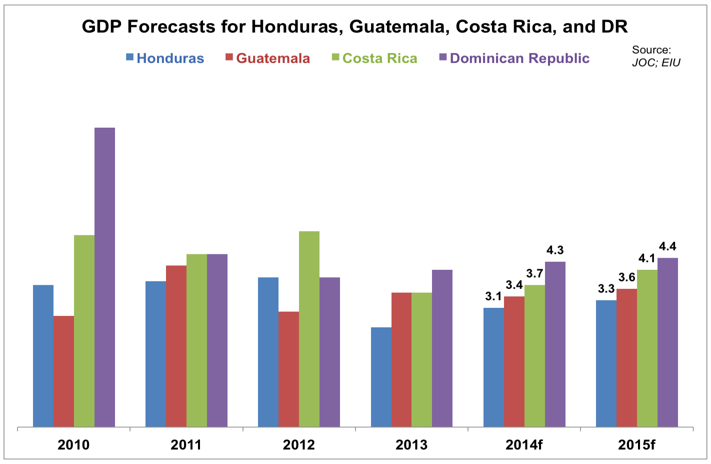
TRADE LANE	TEUS	MOM	YOY	YTD	2014(F)	2015(F)
CENTRAL AMERICA	**61,191**	**25.7%**	**3.5%**	**-5.8%**	**2.2%**	**1.2%**
CARIBBEAN	**42,788**	**21.5%**	**5.2%**	**5.0%**	**-5.9%**	**-1.0%**

Source: JOC-PIERS Container Shipping Outlook March 2014 issue

EXPORTS TO CENTRAL AMERICA ADVANCED IN MARCH FOR FIRST TIME IN SEVEN MONTHS

Outbound U.S. trade to Central America expanded year-over-year in March for the first time in seven months. Most March gains were seen in miscellaneous apparel, motor vehicles and miscellaneous plastic products. Year-to-date, though March, exports were down 5.8 percent and totaled 158,968 TEUs. My concern about weakness in U.S. motor vehicles exports has not been resolved, while the strengthening U.S. dollar will put additional burdens on this trade this year.

Trade to the Caribbean region expanded in March year-over-year for the third consecutive month, up 5.2 percent in the month. Year-to-date, exports were up 5.0 percent and totaled 116,982 TEUs. Regional tourism is still relatively slow, which limits U.S. shipments of tourism industry-related goods while the U.S. dollar is increasingly becoming uncompetitive in its export markets. Therefore, I have downgraded the outlook in the trade for this year from 12.2 percent to 8.4 percent.



Honduras GDP is expected to grow 3.1 percent this year mainly because of an improved U.S. outlook notwithstanding several fiscal constraints the new government will have to face.

In Costa Rica, economic activity is expected to grow 3.7 percent in 2014 on improving external conditions and a weaker exchange rate.

TOP COMMODITIES: CENTRAL AMERICA

TOP U.S. IMPORTS FROM CENTRAL AMERICA IN TEUS: APRIL 2014

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	BANANAS	28,923	6%	-1%	-3%
2	FRUITS,MISC	14,470	13%	10%	-4%
3	PINEAPPLES,EXCEPT CANNED	5,483	-9%	-6%	7%
4	VEGETABLES	2,869	-30%	-7%	-10%
5	APPARELS,MISC.	2,824	11%	6%	8%
6	WOMEN'S&INFANTWARE	2,729	-7%	54%	35%
7	MENSWEAR	2,707	1%	7%	-9%
8	COFFEE	2,072	22%	5%	-16%
9	FABRICS,INCL.RAW COTTON	838	-4%	58%	66%
10	PLASTIC PRODS, MISC	665	11%	63%	39%

Source: PIERS

TOP U.S. EXPORTS TO CENTRAL AMERICA IN TEUS: MARCH 2014

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD W/WASTE	7,340	22%	-6%	-23%
2	FABRICS,INCL.RAW COTTON	3,511	8%	-11%	-3%
3	APPARELS,MISC.	3,380	0%	77%	64%
4	AUTOMOBILES	2,696	15%	2%	-6%
5	GROCERY PRODS,MISC.	1,994	12%	-43%	-43%
6	PLASTIC PRODS, MISC	1,257	90%	30%	-19%
7	AUTO PARTS	1,237	25%	-9%	-15%
8	FURNITURE	1,202	13%	24%	31%
9	POULTRY, FRESH&FROZEN	985	28%	7%	-5%
10	BOXES&CARTONS	905	122%	49%	-28%

Source: PIERS

PORT TRAFFIC

- *Port of Los Angeles was the top U.S. port through March, with volume of approximately 1.4 million (fully loaded) TEUs.*
- *Port of Shanghai was China's top port through March with total volume of approximately 8.2 million (fully loaded and empties) TEUs.*

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In March 2014 *Unit: 1000 TEU*

RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2014
1	LOS ANGELES	490	28.5%	1,399
2	LONG BEACH	355	6.4%	1,143
3	NEW YORK	363	6.5%	983
4	SAVANNAH	207	9.9%	612
5	VIRGINIA PRTS	159	6.4%	456
6	OAKLAND	129	1.4%	386
7	HOUSTON	133	-2.0%	386
8	TACOMA	126	31.2%	342
9	CHARLESTON	124	11.3%	338
10	PT EVERGLADES	65	3.2%	182

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

Top 10 ports handled 85.3 percent of the total U.S. international container traffic through March, up 1.8 percentage points from 2013.

Container traffic at top-ranked Port of Los Angeles jumped 28.5 percent year-over-year in March, and traffic at the Port of New York and New Jersey rebounded 6.5 percent.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In March 2014 *Unit: 1000 TEU*

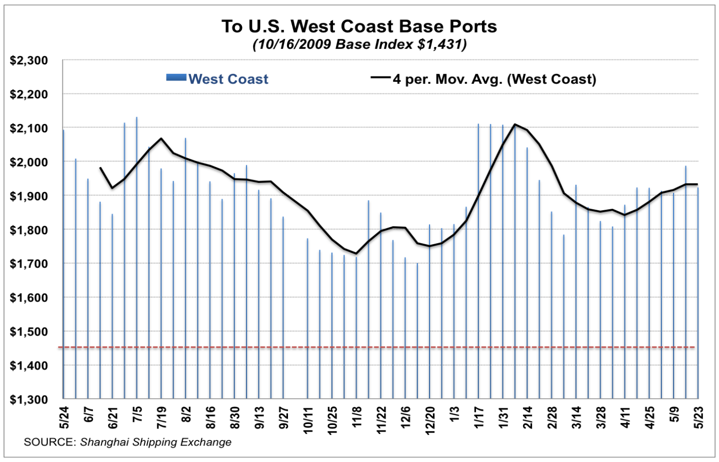
RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2014
1	SHANGHAI (上海)	2,963	3.1%	8,166
2	SHENZHEN (深圳)	1,727	-1.7%	5,197
3	NINGPO ZHOUSHAN (宁波－舟山)	1,542	12.3%	4,522
4	QINGDAO (青岛)	1,492	5.0%	4,153
5	GUANGZHOU (广州)	1,315	6.0%	3,514
6	TIANJIN (天津)	1,178	6.8%	3,175
7	DALIAN (大连)	769	10.5%	2,150
8	XIAMEN (厦门)	699	4.3%	1,866
9	LIANYUNGANG (连云港)	468	3.3%	1,314
10	SUZHOU (苏州)	322	-28.6%	954

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

Container traffic at Port of Shanghai jumped in March, up 3.1 percent year-over-year, while traffic at Port of Shenzhen declined 1.7 percent year-over-year and continued to trend down.

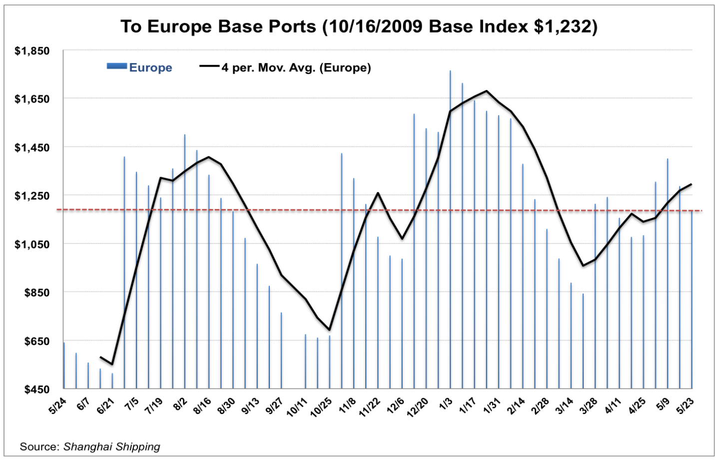
INTERNATIONAL SHIPPING PRICES

- 10 ocean carriers plan to implement new GRI in the Asia-North Europe trade effective June 1.



UPWARD TREND IN SHANGHAI-U.S. WEST COAST INDEX FLATTENED

In the week ending May 23, the freight rate for the voyages from Shanghai to base ports on the U.S. West Coast was $1,923 per FEU, down 3.2 percent (or $64) from the prior week, but that followed a 4.2 percent (or $80) increase in the week ending May 15 as trans-Pacific carriers tried to implement a $300 GRI. Rates from Shanghai to the East Coast ports in the week ending May 23 declined 1.2 percent (or $40) from the prior week, to $3,384 per FEU.

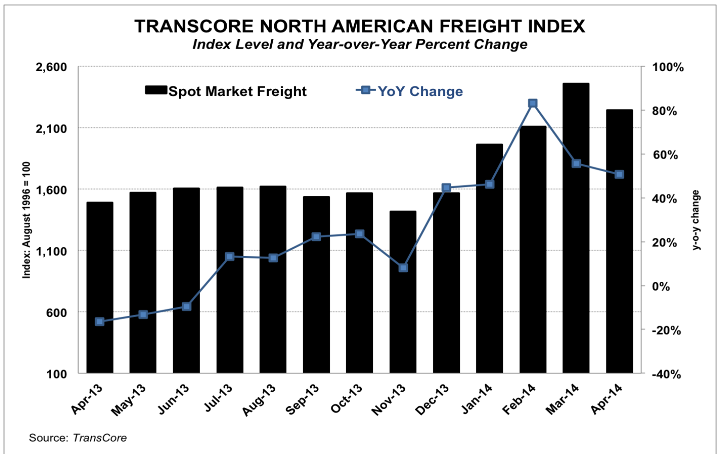


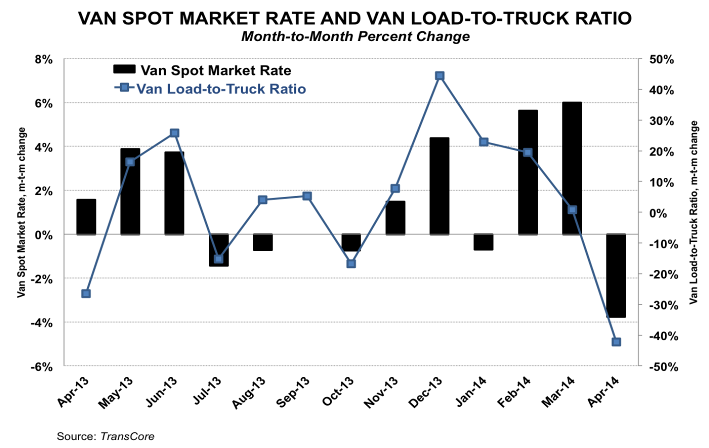
ASIA-EUROPE RATES STOOD BELOW UPWARD TREND FOR FIRST TIME IN FOUR WEEKS

On the Asia-Europe lane, the index rate from Shanghai to northern European ports fell 7.7 percent (or $99) in the week ending May 23, and a total of $213 in the past two weeks, offsetting about 66 percent of the $324 gained on general rate increases this month. Persisting overcapacity on this lane continues to exert downward pressure on freight rates. Maersk Line, MSC, CMA CGM, CSCL, OOCL, Hanjin, APL, Yang Ming, UASC and Evergreen plan to implement rate increases of $300 to $600 in this trade effective June 1.

TRUCKING

- Trucking freight volume remained well above historic norms in April.
- U.S. rail transportation of lumber softened as housing starts slowed.





FREIGHT INDEX UP 50.6 PERCENT YEAR-OVER-YEAR IN APRIL

Truckload freight levels in the spot market began a gradual decline toward seasonal norms in April, following extraordinary volume in the first quarter, according to the DAT North American Freight Index, an indicator of truckload freight availability and capacity.

Spot market freight volume remained well above historic norms in April, up 51 percent compared to the same month in 2013. Freight designated for vans, the predominant equipment category, was up 48 percent, refrigerated ("reefer") freight increased 53 percent, and flatbed freight saw a 66 percent increase year-over-year.

Compared to the record-breaking levels of March, however, total freight volume slipped 8.8 percent in April. A decline from March to April has occurred twice in the last five years. Month-to-month, April van and reefer freight volume contracted 22 percent and 25 percent, respectively. Flatbed loads increased 10 percent month-to-month, however, in an expected seasonal pattern.

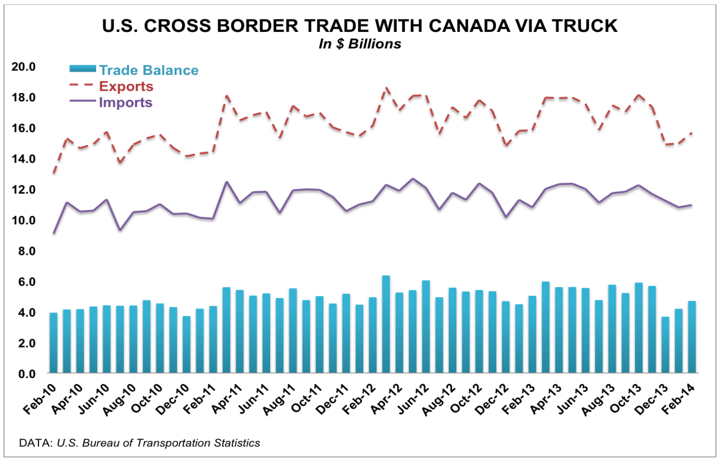
Significant year-over-year rate increases accompanied the unusually high volume for all three major equipment types. Rates rose 19 percent for vans, 20 percent for reefers, and 12 percent for flatbeds, compared to April 2013. Month-to-month, however, van rates declined 3.8 percent from record highs in March. Rates rose 2.3 percent for reefers and 4.0 percent for flatbeds, due to strong seasonal trends that affect cargo availability for those equipment types.

A 6 cent (3.8 percent) month-to-month decline brought national average spot market rates more into line with seasonal norms for dry vans in April, according to DAT RateViewTM. Rates do not include fuel surcharges, which declined from 50 cents to 49 cents, so the total rate dropped 7 cents, or 3.3 percent, from $2.09 to an average of $2.02 per mile, including fuel.

Truckload freight demand returned to typical seasonal levels on the spot market in late April, recovering from extraordinary volume and difficult capacity conditions of the storm-wracked first quarter. April saw a 22 percent drop in available loads and a 35 percent increase in truck capacity on the company's DAT Load Boards. This yielded a 42 percent decline in the load-to-truck ratio for vans on the spot market, from 5.4 available loads per truck in March to 3.1 in April.

On a year-over-year basis, however, load volume rose 48 percent for vans in April, while capacity contracted by 1.8 percent. This combination indicates continuing strong demand in 2014, as the load-to-truck ratio was 50 percent higher than the 2.1 ratio of April 2013.

Van spot market rates rose 24 cents, or 19 percent, compared to April 2013, not including fuel surcharges, which increased 1 cent, or 2.1 percent, during that period. The total rate, including the surcharge, increased 14 percent, from $1.77 to $2.02 per mile.



U.S. TRADE SURPLUS WITH CANADA VIA TRUCK WIDENED TO $4.7 BILLION IN FEBRUARY

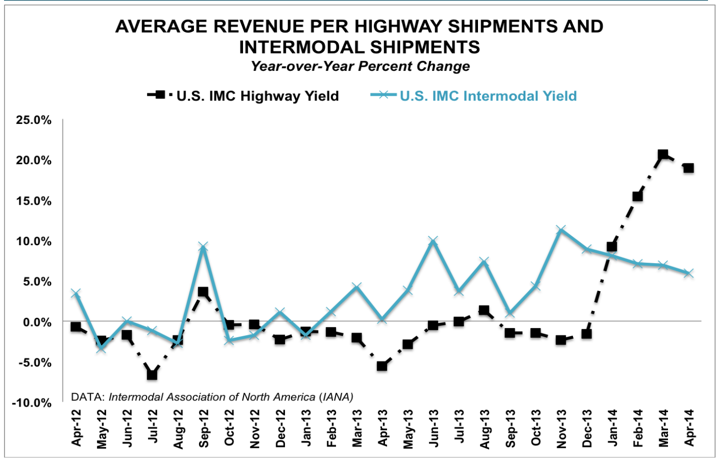
U.S. exports to Canada via truck declined 1.0 percent in February year-over year, totaling $15.6 billion. Exports to the U.S. northern neighbor have declined year-over-year for two consecutive months, reflecting weakening demand. Year-to-date, through February, exports to Canada via truck were down 3.1 percent.

U.S. imports from Canada via truck increased 1.6 percent year-over-year in February for a total of $11.0 billion, and followed a contraction of 4.5 percent in January. Unusually cold weather may have taken a toll on surface trade with Canada in the beginning of the year; nevertheless, economic activity in the U.S. slowed down sharply in the first quarter. Year-to-date, through February, imports from Canada via truck were down 1.5 percent.

The U.S. trade surplus with Canada via truck widened to $4.7 billion in February from $4.2 billion in January.

RAIL

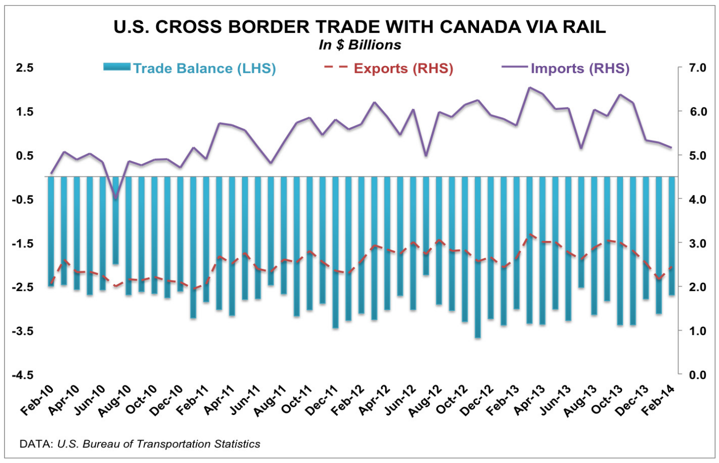
- U.S. trade deficit with Canada via rail narrowed to seven-month low.
- U.S. rail transportation of lumber jumped in April as housing starts to recover.



AVERAGE REVENUE PER INTERMODAL SHIPMENTS UP 6.0 PERCENT IN APRIL

The average revenue per highway load expanded in April 18.9 percent year-over-year to $1,655. From March to February, the average revenue declined 2.1 percent (or $35).

The average revenue per intermodal load advanced 6.0 percent to $2,814, after rising 6.9 percent in the prior month. From March to April, the intermodal yield declined 3.6 percent (or $106). The latest figures reflect the ongoing recovery in the U.S. economy.

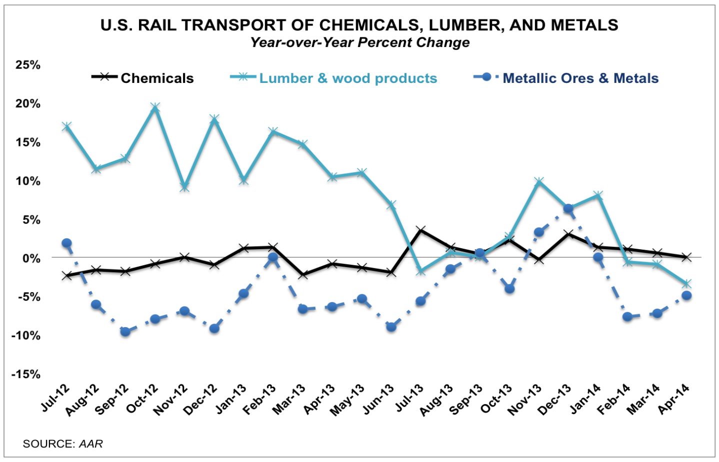


U.S. TRADE DEFICIT WITH CANADA VIA RAIL NARROWED IN FEBRUARY TO SEVEN-MONTH LOW

U.S. exports to Canada via rail declined in February year-over-year for the third straight month on lower demand. Exports fell 7.3 percent in February year-over-year, and totaled $2.45 billion. Year-to-date, exports to Canada via rail were down 9.3 percent.

U.S. imports from Canada via rail declined in February year-over-year for the fourth consecutive month. Imports tumbled 9.0 percent year-over-year in February, and totaled $5.2 billion. Year-to-date, imports from Canada via rail were down 9.1 percent.

The U.S. trade deficit with Canada via rail narrowed to $2.7 billion in February from $3.1 billion in January.



RAIL TRANSPORTATION OF LUMBER STRENGTHENED MARKEDLY IN APRIL

U.S. rail transportation of chemicals expanded 4.0 percent year-over-year in April, reaching its highest level in more than a year at 156,038 carloads. This could signal a turning point for the industry.

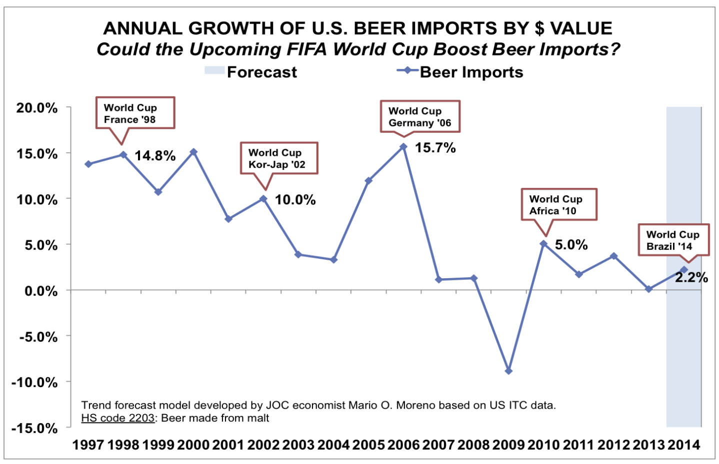
U.S. lumber and wood products carloads jumped 7.6 percent year-over-year in April after a small increase of 0.9 percent in March, likely linked to a strong rebound in housing starts (page 3).

Rail transportation of metallic ores and metals fell 3.4 percent year-over-year in April after contracting in the prior four months.

COMMODITY SNAPSHOT

- *Upcoming FIFA World Cup could boost the sluggish beer import trade by 2.2 percent.*
- *Mexico now supplies more than half of all U.S. beer imports by dollar value.*

U.S. BEER IMPORTS



COULD THE UPCOMING FIFA WORLD CUP BOOST THE SLUGGISH BEER IMPORT TRADE?

U.S. imports of beer decelerated sharply in 2013 on stiff competition from domestic producers and adverse economics: anemic wage growth. By value, U.S. beer imports edged up 0.1 percent last year, following an increase of 3.7 percent in 2012. Post-recession effects continue to impact beer imports, but could the upcoming FIFA World Cup reverse the trend?

Beer imports accelerated in each of the last four FIFA World Cup years as the above graph shows. In the 2010 World Cup, U.S. beer imports by value rebounded 5 percent after it tumbled 8.8 percent in 2009 on recessionary effects. For this year, the Brazil World Cup could boost beer imports 2.2 percent as millions of fans gather around in bars or stay at home and tune in to the games while drinking their favorite beer. What's limiting beer imports growth is the super slow wage growth.

SHARE OF U.S. BEER IMPORTS AND ANNUAL GROWTH RATES ($ VALUE)

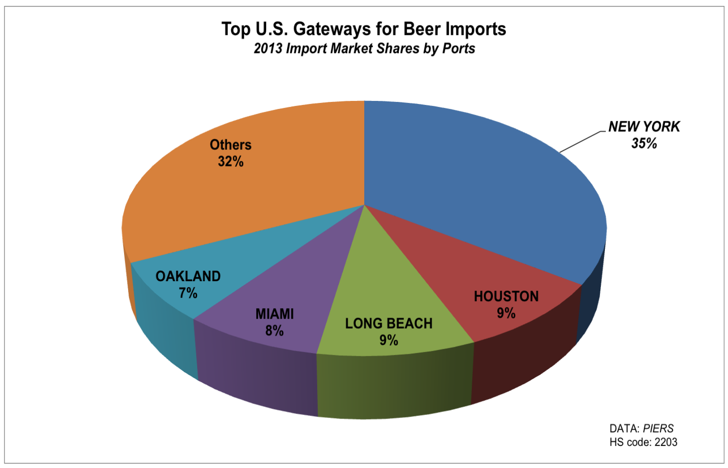
	SHARE OF IMPORTS			ANNUAL GROWTH RATES		
	2012	2013	2014(YTD)	2012	2013	2014(YTD)
MEXICO	0.494	0.520	0.505	8%	5%	9%
NETHERLANDS	0.239	0.229	0.254	2%	-4%	-22%
BELGIUM	0.063	0.065	0.045	11%	2%	84%
IRELAND	0.045	0.046	0.054	2%	2%	-20%
CANADA	0.050	0.048	0.048	-7%	-4%	-21%
UK	0.034	0.032	0.034	0%	-5%	-26%
GERMANY	0.031	0.027	0.031	-24%	-11%	-43%
ITALY	0.009	0.006	0.007	1%	-24%	14%
DOMINICAN REP.	0.006	0.003	0.004	9%	-47%	-51%
CHINA	0.002	0.002	0.001	12%	-9%	30%

SOURCE: US International Trade Commission; author's own calculations • YTD; Year to Date through March

MEXICO SUPPLIED MORE THAN HALF OF ALL U.S. BEER IMPORTS IN 2013

As measured by dollar value, Mexico supplied more than half of all U.S. beer imports last year. Holding 52 percent of the import market, Mexico is the largest supplier, followed by the Netherlands, 22.9 percent; and Belgium, 6.5 percent. For the first quarter of the year, beer imports declined 2 percent year-over-year; nevertheless, imports from Mexico and Belgium pulled 9 percent and 84 percent growth, respectively.

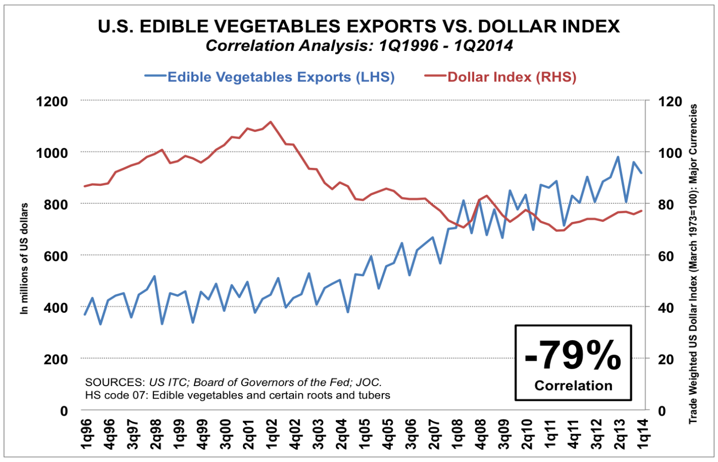
Beer imports from Germany, on the other hand, were down 43 percent in the first quarter, year-over-year, and down 24 and 11 percent in 2012 and 2013, respectively. The trend may show the growing preference in recent years for Mexican beer over German beer.



PORT OF NY/NJ HANDLED MOST INBOUND TRAFFIC OF BEER IN 2013

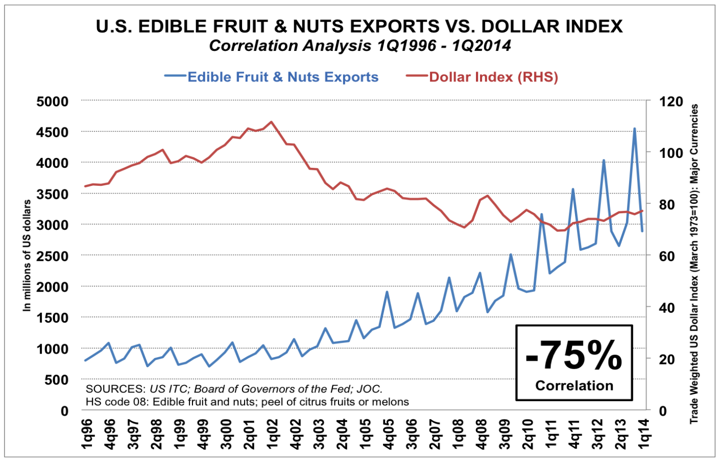
In 2013, Port of New York and New Jersey handled 35 percent of all beer imports traffic via ocean container, unchanged from a year earlier, while the Port of Long Beach handled 9 percent of all beer imports, up 1 percentage point from a year earlier. The Port of Miami handled 8 percent of all beer import traffic, up 1 percentage point from a year earlier.

CORRELATIONS



INVERSE LINEAR RELATIONSHIP BETWEEN VEGETABLE EXPORTS AND THE DOLLAR

It's been said that agricultural exports are very susceptible to changes in the foreign exchange value of the U.S. dollar. Yes, indeed. Agricultural exports exhibit an inverse linear relationship with the dollar's value. Take for instance, edible vegetables exports. From 1996 to the first quarter of 2014, the correlation between U.S. edible vegetable exports and a U.S. dollar index was measured at minus 79 percent, which is a very strong correlation coefficient. This explains the upward trend in edible vegetable exports that began in 2002 as the foreign exchange value of the U.S. dollar against a basket of major currencies began a long-lasting downward trend.



INVERSE LINEAR RELATIONSHIP BETWEEN FRUIT AND NUT EXPORTS AND THE DOLLAR

A similar scenario is presented in the above chart. There exists a strong negative correlation between U.S. edible fruit and nuts exports and a dollar index, measured at minus-75 percent. As in the previous chart, U.S. edible fruit and nuts exports began to trend upward in 2002 as the foreign exchange value of the U.S. dollar began to trend down. A weakened dollar makes U.S. agricultural exports more competitive abroad, which is highly important for the U.S. farm economy because approximately 25 percent of the U.S. gross cash farm income comes from exports. Nevertheless, a continued declined in the dollar's value could be bad for agriculture as it would increase of the cost of imported inputs (fertilizers, etc.) that go into the production process.

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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