JOC INSIGHTS

SEPTEMBER 2013

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

THE IMPENDING CHANGE IN U.S. Federal Reserve Bank policy was the source of economic upheaval during the first half of 2013 and through much of the summer. As the Fed contemplates the end of its quantitative easing program and the adoption of tighter monetary policy, the attention of the world's investors has turned to narrowing interest rate differentials between the developed economies and emerging markets.

Nominal yields on U.S. treasuries have begun to creep upward as investors abandon U.S. bonds for alternative assets, including equities and real estate. While borrowing costs are still low by historical standards, falling bond prices have put upward pressure on U.S. mortgage rates, which some fear could limit the recovery in the U.S. housing market. But as yields in the U.S. and in other advanced economies increase, the differential between bonds in emerging markets and advanced economies has begun to narrow, attracting new capital from overseas investors seeking safer returns. For the U.S., this means a rising demand for U.S. dollars, upward pressure on the nominal exchange rate, and reduced prospects for exports, but increased imports. The practical effects of the end of quantitative easing are likely to be a slowdown in the recovery of U.S. income growth as the economy transitions from one dominated by Federal Reserve policy to one where the private sector is taking the reins.

Although the Fed refraining from "tapering" its bond purchases in its most recent September meeting, to the surprise of markets and policy experts, uncertainty about the timing of the Fed's policy change will likely plague the investment sector for much of the second half of the year. While now some predictions are that quantitative easing will begin tapering off as early as December, the U.S. unemployment rate remains above the 6.5 percent target that the Fed announced last year.

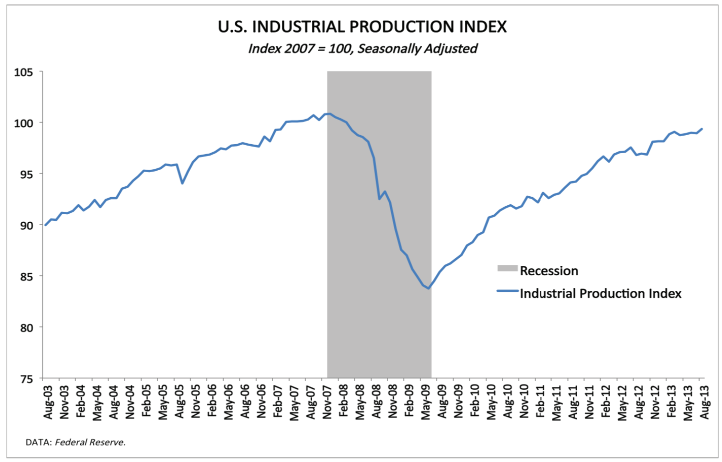
The sustainability of U.S. export growth is relevant in the midst of all this taper talk. Improved exports translate to higher employment, sustained personal consumption expenditures and ultimately higher incomes. Recognizing this, the Fed is limited in its ability to scale back its bond purchases. When the central bank permits interest rates to rise, the U.S. dollar will lose its competitiveness in global markets – a development that will erode recent income and employment gains in the U.S. export sector. But if the Fed waits too long, fixed investment and residential housing will suffer losses as inflation erodes real returns and forces interest rates upward.

This issue of JOC Insights presents my most updated forecasts on overall U.S. container trade and the North-South container trade, and a special analysis of U.S. dairy produce & eggs exports.

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

THE SHIPPING ECONOMY

- ***ISM's manufacturing advances to highest level in more than two years***
- ***U.S. ocean container trade rebounds moderately in July on higher imports***
- ***Existing home sales rose in August on top of a strong July, beating expectations***
- ***Retailers replenish stock levels starting second half of year***
- ***Real residential investment boost second quarter U.S. output***

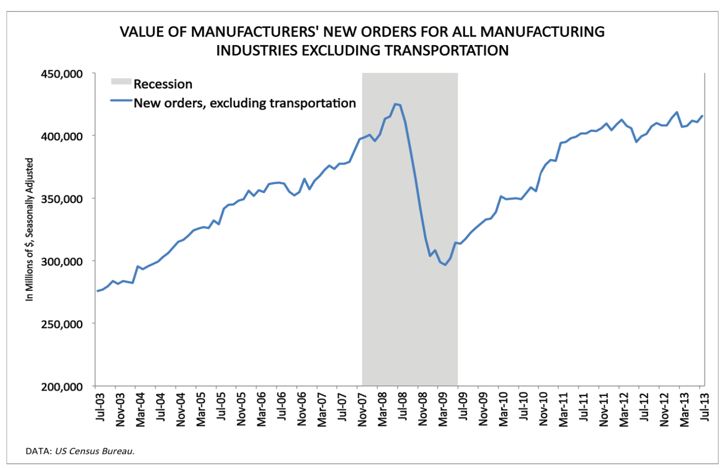


U.S. INDUSTRIAL PRODUCTION INDEX
Index 2007 = 100, Seasonally Adjusted

U.S. INDUSTRIAL PRODUCTION INDEX AT FIVE-YEAR HIGH

U.S. industrial production rose 0.4 percent in August, and reached its highest level in five years. Led by motor vehicles, manufacturing jumped 0.7 percent, topping expectations. Outside of motor vehicles, manufacturing rebounded 0.4 percent. Capacity utilization for total industry rebounded to 77.8, up by 0.2 points from the prior month.

Latest industrial production data could support a Fed decision to scale back its massive bond-buying program this month. However, low inflation and high unemployment could serve as good counterarguments. The fear of the "unknown" may play a role here as well, and support modest tapering at the most.



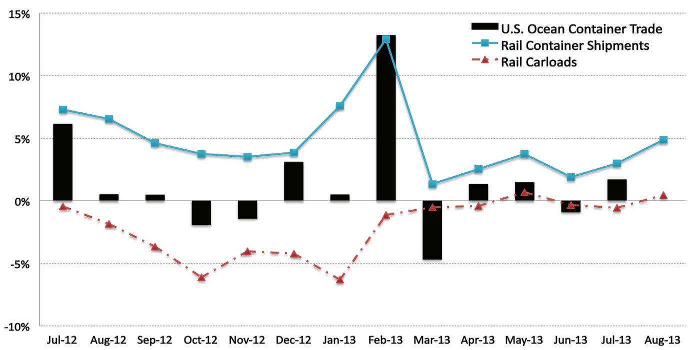
VALUE OF MANUFACTURERS' NEW ORDERS FOR ALL MANUFACTURING INDUSTRIES EXCLUDING TRANSPORTATION

Factory orders declined 2.4 percent in July after growing for three consecutive months. The decline, however, was lower than expectations, and it was linked to the volatile transportation component, specifically aircraft. Outside of transportation, new orders rose 1.2 percent.

Excluding transportation, orders totaled $2.9 trillion year-to-date through July, an increase of 1.9 percent year-over-year. Orders peaked in 2012 when nominal value totaled $4.9 trillion.

Factory 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 REBOUNDED 1.7 PERCENT IN JULY

U.S. ocean container trade rebounded at the start of the second half of the year on increasing imports linked to the shipping peak season. Total trade rose 1.7 percent year-over-year, totaling 2.6 million TEUs.

Rail container shipments picked up 4.9 percent year-over-year in August, while rail carloads edged up 0.5 percent in the same month.

GLOBAL MANUFACTURING

	AUG-13	JULY-13	MOM	DIRECTION, RATE OF CHANGE
US PMI	**55.7**	**55.4**	**0.3**	**Growing, faster rate**
NEW ORDERS	63.2	58.3	4.9	Growing, faster rate
INVENTORIES	47.5	47.0	0.5	Contracting, from growing
CHINA PMI	**50.1**	**47.7**	**2.4**	**Contracting, faster rate**
GLOBAL PMI	**51.7**	**50.8**	**0.9**	**Expanding, faster rate**

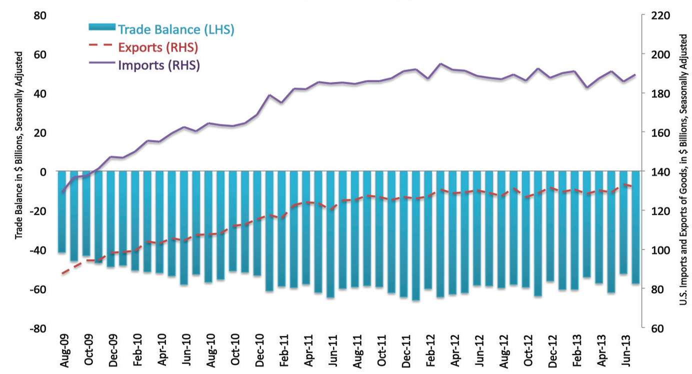
Source: Institute for Supply Management; Markit; HSBC; JPMorgan

U.S. MANUFACTURING INDEX AT HIGHEST LEVEL IN MORE THAN TWO YEARS

ISM's manufacturing rose in August for the third straight month to its highest level in more than two years. New orders, the lifeblood of manufacturing activity, jumped 4.9 points to a reading of 63.2. New export orders again show strength, perhaps an indication of stabilization in foreign economies. Inventories continued to fall, likely linked to a stronger rate of production. Hiring grew at slower rate.

China's manufacturing sector in August saw the end of a three-month period of deceleration. Nevertheless, at a level of 50.1, operating conditions appear relatively unchanged from the previous month. New orders increased marginally, while export orders declined for the fifth straight month. U.S. and European demand for Chinese goods is still weak. Total U.S. imports from China via ocean container rose 3.0 percent year-over-year in July.

U.S. TRADE BALANCE
In Billions of U.S. Dollars, SA



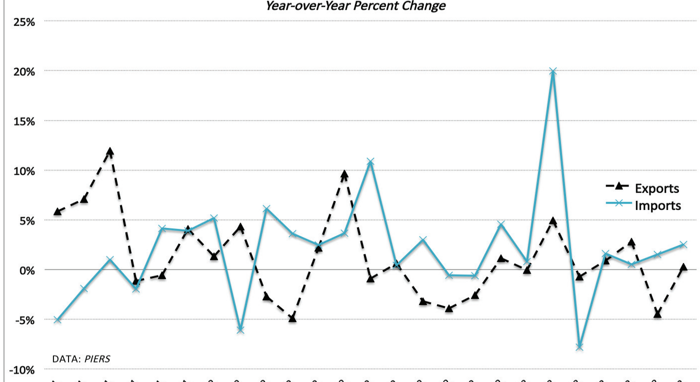
DATA: *U.S. Census Bureau*

JULY 2013: U.S. TRADE DEFICIT IN GOODS AT TWO-MONTH HIGH

U.S. exports of goods declined 1.1 percent in July, but followed a strong June. The contraction mostly reflected decreases in capital goods and consumer goods. U.S. imports of goods rebounded 2.0 percent, likely because of restocking activity. Gains in imports were mostly seen in industrial supplies, and motor vehicles and parts.

The U.S. trade deficit in goods is still relatively low, mostly because of sluggish import demand and soft foreign markets.

U.S. CONTAINERIZED IMPORTS AND EXPORTS
Year-over-Year Percent Change



DATA: *PIERS*

U.S. CONTAINER TRADE

	JULY-13	MOM	YOY	YTD	2013(F)	2014(F)
IMPORTS	**1,620**	**8.1%**	**2.5%**	**2.3%**	**4.0%**	**6.1%**
EXPORTS	**960**	**2.1%**	**0.3%**	**0.5%**	**1.0%**	**1.7%**

Source: PIERS; JOC Container Shipping Outlook, September 2013

JULY 2013: U.S. CONTAINERIZED IMPORTS UP 2.5 PERCENT; EXPORTS UP 0.3 %

U.S. containerized imports via ocean grew in July as the shipping peak season began. Overall U.S. containerized imports advanced 2.5 percent in July year-over-year, totaling 1,619,562 TEUs. Month-to-month, overall containerized imports rose 8.1 percent.

Among the top 25 source countries, Brazil gained the most, up 30.0 percent year-over-year (or 6,721 TEUs). Spain followed with a gain of 16.0 percent, while France gained 11.3 percent. On the downside, U.S. imports from Costa Rica declined 13.0 percent (or 2,156 TEUs).

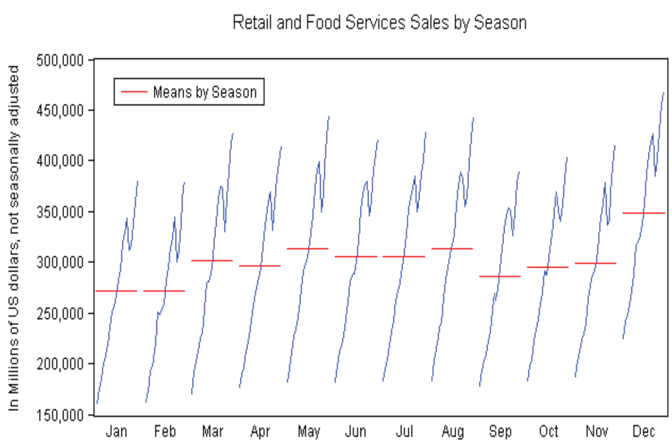
The forecast for the second quarter of 2013 was about on target, leaving little technical reason for a revision up or down. I am therefore leaving the forecast relatively unchanged from the March 2013 projections.

Among commodities, we expect further gains in auto parts and tires; housing-related inputs and furnishings will perform well through mid-2014, but growth in this sector will taper off as mortgage rates rise and overall housing economic activity declines. I also believe the recent upturn in footwear imports is the beginning of a positive trend. Among agricultural and horticultural goods, U.S. imports of meats should begin to slow later in 2014 as domestic cattle herds are replenished after the severe drought of 2012.

Overall U.S. containerized exports via ocean edged up 0.3 percent year-over-year in July to 960,237 TEUs, according to preliminary data from PIERS. Gains were seen in spices, up 797 percent year-over-year; grains and flour, up 40 percent; and plastic products, up 34 percent. On the downside, year-over-year losses were seen in pet and animal feeds, down 45 percent; and metal scrap and pig iron, down 45 percent.

Among the top 25 export markets, shipments to Panama rose the most in July, up 50 percent year-over-year (or 3,762 TEUs). Shipments to Brazil and Netherlands followed with gains of 15 percent and 14 percent, respectively. On the downside, exports to Turkey declined 19 percent (or 2,507 TEUs).

Growth in both the advanced economies and emerging markets slowed down in the second quarter, abetted by poor external demand. U.S. growth was below trend, and the recession in Europe deepened. It's no wonder then that under these circumstances, U.S. exporters of containerized goods faced a shrinking market. The export forecast for 2013 was downgraded to 1.0 percent, from 2.6 percent.



RETAIL SALES ADVANCED IN AUGUST AFTER STRONG JUNE, JULY

Retail and food services sales grew 0.2 percent in August after an upwardly revised gain of 0.4 percent in July. Aside from December and May, retailers typically score high sales in August as indicated by the seasonal means in the chart above. This time was no different. Although the consensus was for a half a percent growth, we should keep in mind that sales in June and July were strong. September is expected to be a soft month.

Excluding autos, sales edged up 0.1 percent after a 0.6 percent gain in the prior month. Excluding autos and gasoline, sales saw a similar boost of 0.1 percent. Within the core, gains were mainly seen in furniture and home furnishings (home sales recovery), and electronics and appliances. Losses were seen in building materials and garden equipment, and sporting goods and hobbies.

Retail inventories increased 0.8 percent in July sequentially on a seasonally adjusted basis, while retailer sales rose 0.4 percent. Inventories rose as retailers begin to replenish depleted stock levels, positioning themselves for the holiday season.

This is also evidenced by recent container cargo data. Eastbound trans-Pacific trade volumes rose 1.9 percent year-over-year in July, and the trade is expected to grow 4.5 percent year-over-year in the second half of 2013, which is a faster rate than the 1.4 percent seen in the first half of the year.

U.S. HOUSING MARKET

	AUG-13	MOM	YOY	2013(F)	2014(F)
EXISTING HOME SALES	**5,480**	**1.7%**	**13.2%**	**13%**	**4.0%**
NEW HOME SALES	**421**	**7.9%**	**12.6%**	**17%**	**-2.0%**
HOUSING STARTS	**891**	**0.9%**	**19.0%**	**15%**	**1.0%**

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

SALES OF EXISTING HOMES ADVANCED FOR TWO CONSECUTIVE MONTHS

Existing home sales rose 1.7 percent in August to a seasonally adjusted annual rate of 5.48 million units. This advance comes on top of a strong July base when rising mortgage rates prompted undecided buyers to take action in the market. The question now is whether August's gain will prove to be the last injection of buyers to the market boosted by higher mortgage rates. The Fed refrained from tapering in its recent meeting, which should limit further growth in rates. However, current mortgage rates are off the all-time lows by more than a percentage point, hitting first-time buyers. Tight inventory continues to present an immediate threat to the home sales market with a current sales rate of 4.9 months, down from 5.0 and 5.1 months in the prior two months.

New home sales rebounded 7.9 percent in August following a sharp contraction of 14 percent in July. Supply is loosening, which possibly contributed to softer home prices. Despite August's gain, sales of new homes are slowing.

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

COUNTRY	Q3-2012	Q4-2012	Q1-2013	Q2-2013(E)	2013(F)	2014(F)
UNITED STATES	**3.1**	**2.0**	**1.1**	**2.5**	**1.6**	**2.6**
CHINA	**7.4**	**7.9**	**7.7**	**7.5**	**7.5**	**7.3**
JAPAN	**0.4**	**0.3**	**0.1**	**1.3**	**1.7**	**1.7**
UNITED KINGDOM	**0.1**	**0.0**	**0.3**	**1.5**	**1.4**	**1.8**
GERMANY	**0.9**	**0.3**	**-0.3**	**0.5**	**0.5**	**1.3**

** 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 September 20, 2013

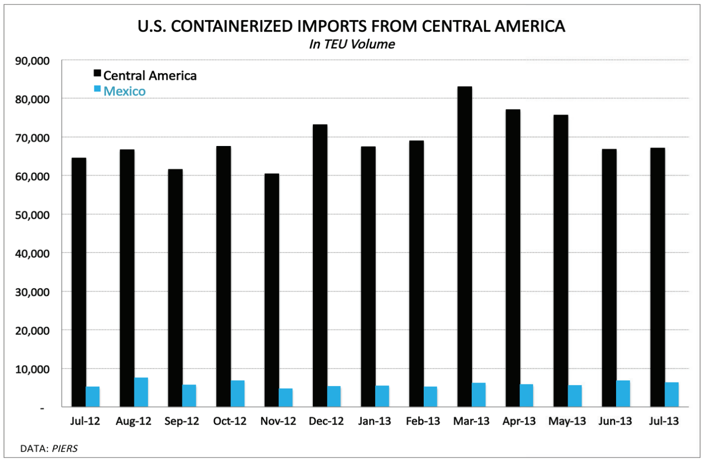
SECOND QUARTER U.S. GDP REVISED UPWARD; ECONOMY IN TRANSITION

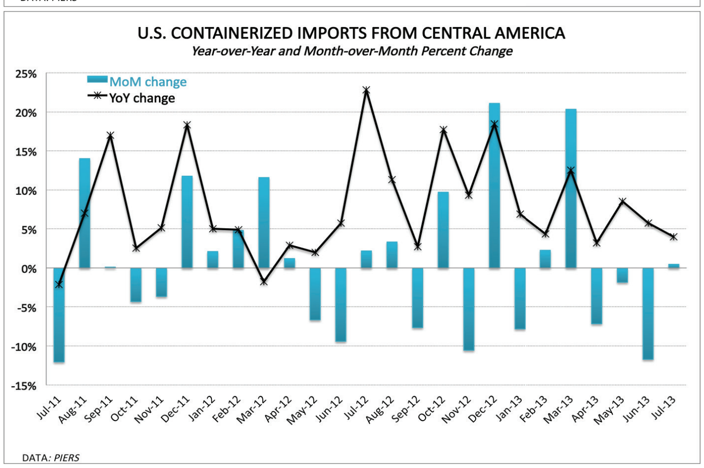
The second quarter U.S. GDP advance estimates reflect an economy in transition. The U.S. Bureau of Economic Analysis reports that real GDP increased at the still-below-trend rate of 2.5 percent on an annualized basis, up from a revised 1.1 percent increase in the first quarter. Nonresidential fixed investment rebounded, but a large portion of the second quarter growth can be accounted for by a 12.9 percent increase in real residential investment. Coming on the heels of a 12.5 percent gain in the previous quarter, it is now clear that the U.S. housing market is in recovery mode, which, if interest rates remain low, will be a key component of the overall recovery of the U.S. economy. The improvement in this sector is welcome, but it has left the Fed with a dilemma. Should tapering begin too soon, mortgage rates, already inching forward, could rise to where they put strict limits on housing. Should the Fed wait too long, the risk of heightened inflation longer term will be elevated. This is a delicate balancing act that if not successful could dampen investor enthusiasm and prolong the current sluggishness in U.S. economic growth and employment.

REGIONAL CONTAINER TRADE

- *2013 forecast for imports from Central America downgraded on weak second quarter volumes*
- *2013 forecast for exports to Central America modestly downgraded for 2013 on soft auto, cotton shipments*

IMPORTS FROM CENTRAL AMERICA





IMPORTS, JULY 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
CENTRAL AMERICA	67,103	0.5%	4.0%	6.5%	6.3%	7.1%
MEXICO	6,419	-7.3%	23.1%	3.7%	8.4%	17.6%

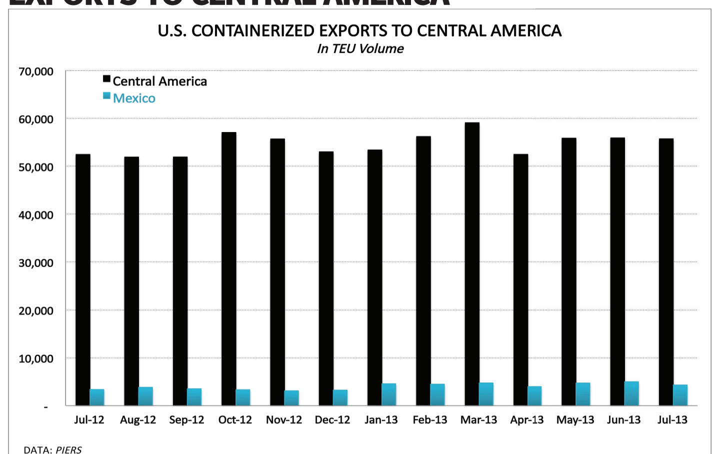
Source: JOC-PIERS Container Shipping Outlook September 2013 issue

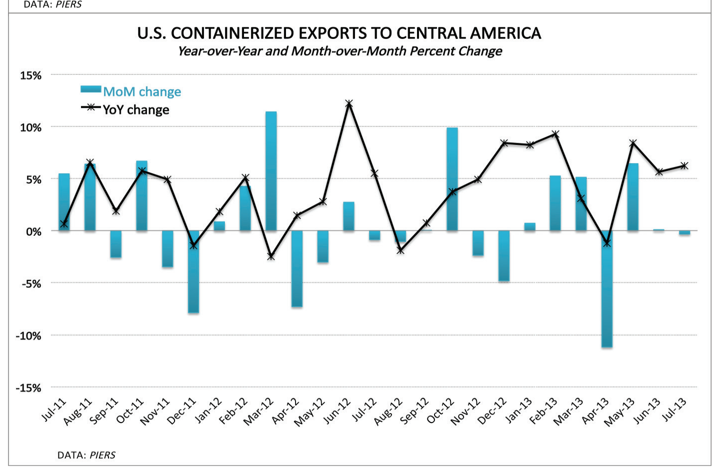
JULY 2013: IMPORTS FROM CENTRAL AMERICA UP FOR 16 CONSECUTIVE MONTHS

Inbound trade from Central America totaled 67,103 TEUs in July, up 4.0 percent from July 2012, marking the 16th consecutive monthly year-over-year increase. Trade from Mexico rose year-over-year in July for the fifth straight month. Gains in all of Central America were mostly driven by pineapples, up 5 percent; miscellaneous apparel, up 28 percent; and miscellaneous metal ware, up 2,717 percent. Year-to-date, imports from Mexico were up 3.7 percent, while imports from all of Central America were up 6.5 percent.

Second quarter deceleration in trade from this region combined with challenges to regional coffee producers and weaker than expected wearing apparel shipments compels the adjustment of the full year 2013 forecast of trade from Central America to 6.3 percent from 10.8 percent growth expected for the year in March. We expect that from Honduras, growth will be limited by reduced investment and expansion in the banana sector as multinational growers seek alternate sites to expand, especially in Guatemala. Moreover, news that manufacturers of textiles have been closing Honduran operations in favor of Nicaragua and Mexico will add further pressure to the trade. Manufacturers have been citing “harassment” and poor business conditions in Honduras as reasons to migrate. Trade from No. 2 ranked Guatemala will therefore proceed at a moderately faster pace than Honduras.

EXPORTS TO CENTRAL AMERICA





EXPORTS, JULY 2013

	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
CENTRAL AMERICA	55,735	-0.3%	6.2%	5.6%	-1.2%	-4.3%
MEXICO	4,321	-13.6%	27.9%	34.1%	30.9%	-3.9%

Source: JOC-PIERS Container Shipping Outlook September 2013 issue

JULY 2013: EXPORTS TO CENTRAL AMERICA UP FOR 12 STRAIGHT MONTHS

Outbound U.S. trade to Central America totaled 55,735 TEUs in July, up 6.2 percent year-over-year, marking the third consecutive monthly year-over-year. Trade to Mexico advanced year-over-year in July for the 12th straight month. Gains for all of Central America were mostly driven by miscellaneous apparel, up 76 percent; miscellaneous grocery products, up 26 percent; and PVC resins, up 146 percent. Year-to-date, exports to Mexico were up 34 percent, while exports to all of Central America were up 5.6 percent.

Although the March forecast for second quarter was nearly spot on, I am troubled by the slowdown in auto exports and by less than anticipated shipments of cotton and fabrics, primarily brought about by reduced output in the U.S. The USDA has recently cut its forecast for U.S. cotton output based on reduced yields on existing acreage. It also cut global output forecasts, but these will not necessarily affect prices as there remain enormous inventory stockpiles in China. We expect that Chinese cotton will serve at least some of the Central American market and leave U.S. exporters short of earnings in this region. Thus, the forecast for the remainder of 2013 and through 2014-15 has been modestly downgraded.

TOP COMMODITIES: CENTRAL AMERICA

TOP US IMPORTS FROM CENTRAL AMERICA IN TEUS, JULY 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	BANANAS	25,437	-9%	-10%	6%
2	PINEAPPLES,EXCEPT CANNED	5,062	-7%	5%	10%
3	APPARELS,MISC.	3,275	19%	28%	19%
4	MENSWEAR	3,096	0%	-21%	-18%
5	WOMEN'S&INFANTWEAR	2,510	15%	5%	9%
6	COFFEE	2,444	8%	-2%	4%
7	VEGETABLES	1,890	3%	-1%	4%
8	METALWARE,MISC	1,421	589%	2717%	722%
9	UNDERWEAR,T-SHIRTS	1,189	-57%	-43%	19%
10	EMPTY CONTAINERS,DRUMS ETC.	1,141	-36%	119%	137%

Source: PIERS

Containerized U.S. imports of bananas via ocean shipping declined in July year-over-year, but they are still up year-to-date by a respectable 6 percent. Apparel imports, specifically women's and infant wear, continue to grow as near-sourcing progresses.

TOP US EXPORTS TO CENTRAL AMERICA IN TEUS, JULY 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD,INC WASTE	7,485	5%	-5%	6%
2	GROCERY PRODS,MISC.	3,687	-44%	26%	44%
3	APPARELS,MISC.	3,345	-11%	76%	33%
4	FABRICS,INCL.RAW COTTON	3,073	38%	8%	-1%
5	AUTOMOBILES	2,148	4%	-33%	-16%
6	VINYL ALCOHOL,PVC RESINS	1,410	60%	146%	-1%
7	EMPTY CONTAINERS,DRUMS ETC.	1,199	74%	1073%	291%
8	AUTO PARTS	1,081	-2%	-3%	1%
9	PLASTIC PRODS, MISC	1,016	30%	25%	14%
10	SYNTHETIC RESINS,NSPF	950	-25%	-50%	5%

Source: PIERS

U.S. exports of motor vehicles via ocean containers have suffered this year because of softening economies. Auto parts exports were up just 1 percent year-to-date. Grocery products are doing remarkably well.

PORT TRAFFIC

- ***Port of Los Angeles was top U.S. port through July, with volume of approximately 3.2 million fully loaded TEUs***
- ***Port of Shanghai is China's top port with total traffic of 19.3 million fully loaded and empty TEUs through July***

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In July 2013 *Unit: 1000 TEU*

RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1	LOS ANGELES	497	-4.3%	3,185
2	LONG BEACH	423	12.2%	2,845
3	NEW YORK	366	-7.8%	2,398
4	SAVANNAH	186	0.1%	1,342
5	VIRGINIA PRTS	165	19.1%	1,025
6	OAKLAND	136	7.0%	932
7	HOUSTON	137	1.1%	917
8	CHARLESTON	106	0.1%	750
9	TACOMA	108	3.8%	726
10	SEATTLE	81	-20.7%	599

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

Top 10 ports handled 86 percent of the total U.S. container trade in July.

Container traffic at top-ranked Port of Los Angeles declined 4.3 percent year-over-year in July and totaled approximately 497,000 fully loaded TEUs.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In July 2013 *Unit: 1000 TEU*

RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1	SHANGHAI (上海)	2,979	4.8%	19,305
2	SHENZHEN (深圳)	2,092	1.6%	13,152
3	NINGPO ZHOUSHAN (宁波－舟山)	1,596	8.9%	10,131
4	QINGDAO (青岛)	1,311	8.2%	9,312
5	GUANGZHOU (广州)	1,328	14.7%	8,424
6	TIANJIN (天津)	1,085	1.0%	7,593
7	DALIAN (大连)	854	18.6%	5,321
8	XIAMEN (厦门)	690	9.7%	4,426
9	SUZHOU (苏州)	555	12.8%	3,445
10	LIANYUNGANG (连云港)	462	12.4%	3,177

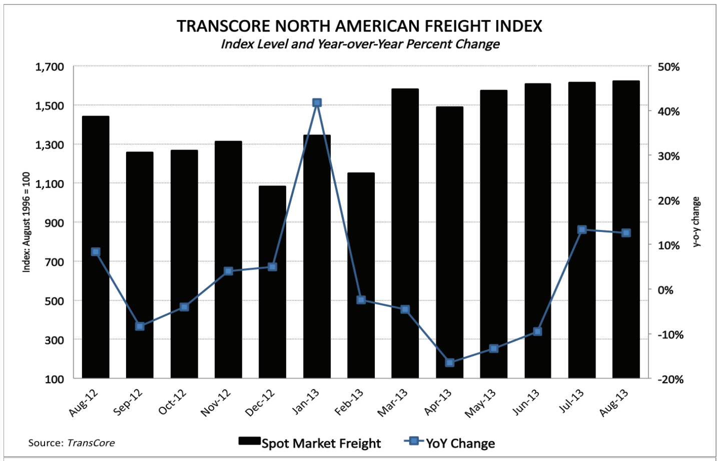
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

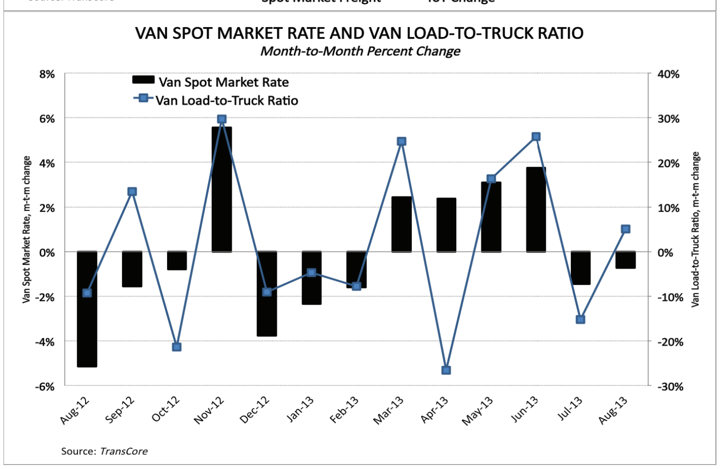
Container traffic at top-ranked Port of Shanghai rebounded 4.8 percent year-over-year in July, totaling approximately 3.0 million TEUs, including empties.

TRUCKING

◆ *Peak trucking freight season extended through the summer*

Domestic Trucking Pricing





AUGUST 2013: FREIGHT INDEX UP 13 PERCENT YEAR-OVER-YEAR

Spot market freight volumes reported by the DAT North American Freight Index rose another 0.4 percent in August, edging above July levels. Freight volume typically peaks on the spot market in June, but this year has extended through the entire summer.

Month-to-month load availability increased for vans and refrigerated ("reefer") trailers, while flatbed load volume experienced a typical seasonal decline. Freight volume rose 3.1 percent for vans and 3.8 percent for reefers, but declined 5.1 percent for flatbeds.

Compared to August 2012, freight availability rose 13 percent overall. Van freight volume rose 10 percent, reefer loads increased 22 percent, and flatbed freight was up 14 percent.

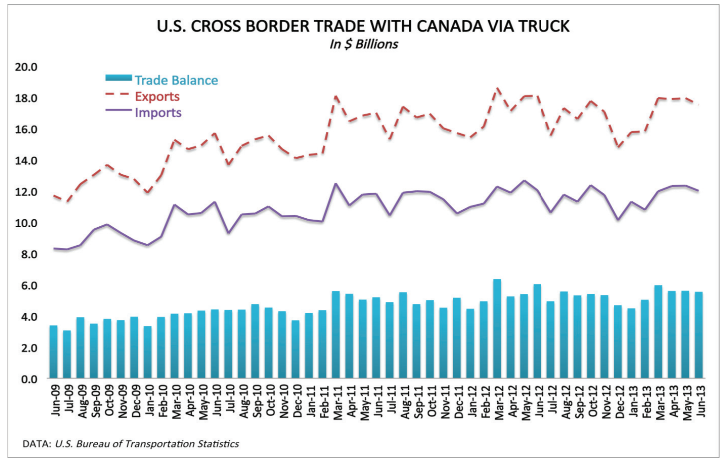
Spot market rates remained stable for vans in August compared to July. In a typical seasonal pattern, rates declined 3.0 percent for reefers and 1.8 percent for flatbeds. On a year-over-year basis, van rates rose 2.3 percent and reefer rates gained 1.9 percent, while flatbed rates declined 4.6 percent compared to the unusually high rates of August 2012.

DAT RateViewTM recorded a $0.01 (0.7 percent) decline in the national average spot market line-haul rate for dry vans in the U.S. in August compared to July, not including fuel surcharges. The fuel surcharge for vans rose $0.01 to $0.48 during the period, offsetting the decline in the line-haul, so the total rate of $1.83 per mile was unchanged for the month.

The month-to-month decline in the line-haul rate was accompanied by a 3.1 percent increase in load availability and a 0.9 percent decline in truck capacity on the company's DAT Load Boards. This yielded a 5.1 percent increase in the load-to-truck ratio for dry vans on the spot market, from 2.6 available loads per truck in July to 2.7 in August.

On a year-over-year basis, load volume rose 10 percent for vans in August, while capacity expanded 0.7 percent. The resulting load-to-truck ratio in August rose 13 percent year-over-year.

Van spot market rates rose $0.06 (4.7 percent) compared to August 2012, not including fuel surcharges, which declined $0.01 (2.0 percent) in that period. The total rate, including the surcharge, increased $0.05 (2.8 percent) from $1.78 to $1.83 per mile.



U.S. TRADE SURPLUS WITH CANADA VIA TRUCK DECLINED IN JUNE

U.S. exports to Canada via truck declined 3.0 percent in June year-over-year, and totaled $17.5 billion. Exports to the U.S. northern neighbor declined in four of the last five months as Canada's economy decelerated. Year-to-date, from January through June, exports to Canada via truck were down marginally, by 0.5 percent. This compares unfavorably with the 6.6 percent expansion seen over the same period in 2012.

U.S. imports from Canada via truck slid 0.5 percent in June year-over-year, and totaled $12.0 billion. Imports from this nation have declined in four of the last five months. A slowing U.S. economy is the major reason behind lower imports. Year-to-date, from January through June, U.S. imports from Canada via truck were down 0.5 percent. This compares unfavorably with the 5.6 percent expansion seen over the same period in 2012.

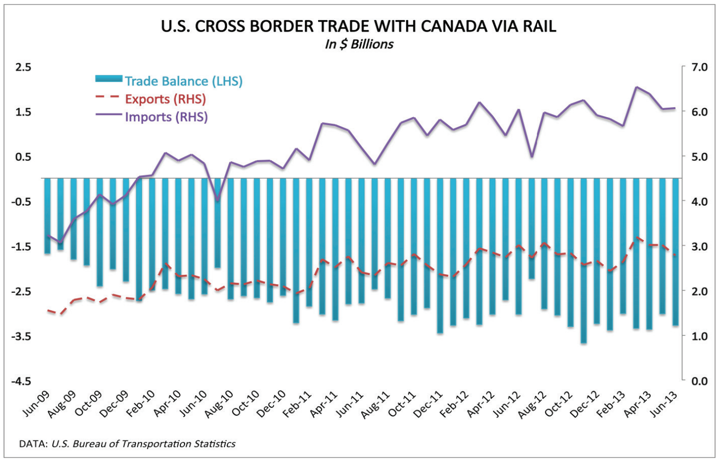
U.S. trade surplus with Canada declined to $5.5 billion in June from $5.6 billion in May.

RAIL

◆ *U.S. imports from Canada via rail grow at the expense of truck transportation*

◆ *U.S. rail transportation of metals remains in downward trend*

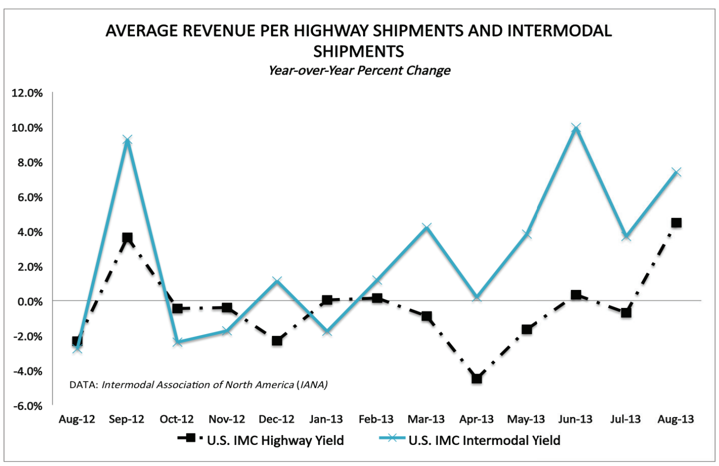
U.S. exports to Canada via rail declined 7.6 percent in June year-over-year, totaling $2.8 billion. Rail exports to the northern neighbor contracted for the first time in 13 months, underscoring Canada's economic deceleration in the first half of the year. Year-to-date, from January through June, exports to Canada via rail were up 4.1 percent year-over-year. This compares unfavorably with the 14.4 percent year-over-year expansion seen in the same period in 2012.



U.S. TRADE DEFICIT WITH CANADA VIA RAIL INCREASED IN JUNE

U.S. imports from Canada via rail edged up 0.5 percent in June year-over-year, and totaled $6.1 billion. Imports from this nation have increased in 12 of the last 13 months. Year-to-date, from January through June, U.S. imports from Canada via rail were up 4.7 percent year-over-year. This compares unfavorably with the 8.2 percent year-over-year expansion seen in the same period in 2012.

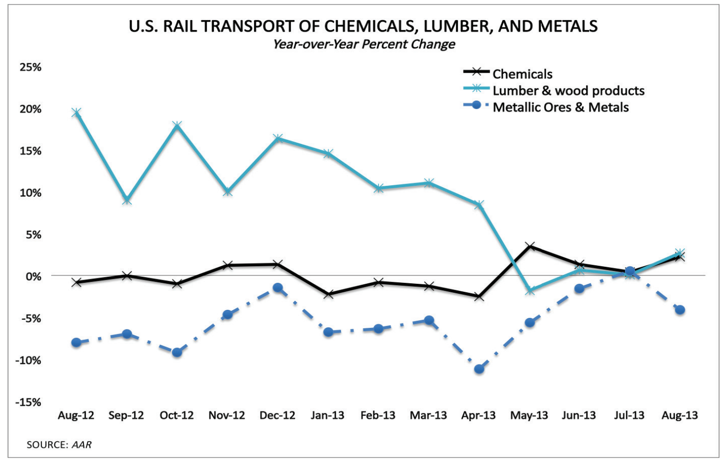
The U.S. trade deficit with Canada via rail increased to $3.3 billion in June from $3.02 billion in May.



AUGUST 2013: AVERAGE REVENUE PER HIGHWAY SHIPMENTS UP 4.5 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMEMTS UP 7.4 PERCENT

The average revenue per highway load rebounded in August by 4.5 percent year-over-year to $1,443, following a dip of 0.7 percent dip in July. From July to August, the average revenue rose 1.7 percent (or $24).

The average revenue per intermodal load advanced 7.4 percent to $2,763, after rising 3.7 percent in the prior month. From July to August, the average revenue rose 1.4 percent (or $38).



AUGUST 2013: CHEMICALS UP 2.2 PERCENT; LUMBER UP 2.7 PERCENT; METALS DOWN 4.1 PERCENT

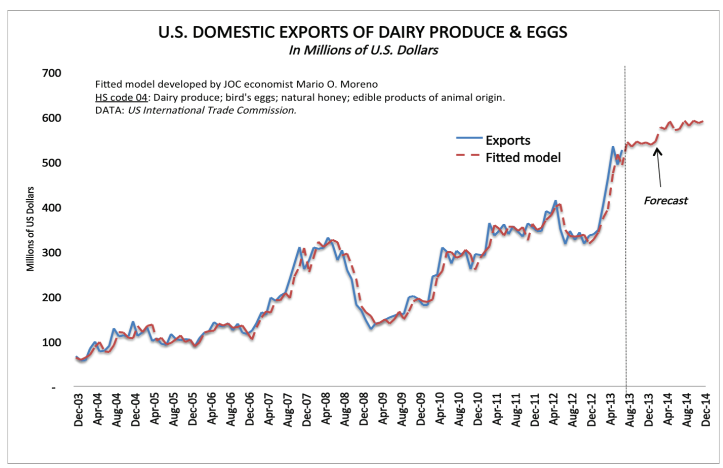
U.S. chemical carloads rose for the fourth straight month, up 2.2 percent year-over-year in August to total 121,343.

U.S. lumber and wood products carloads rose 2.7 percent in August year-over-year, totaling 13,368. Homebuilders take a cautious stance as they see mortgage rates coming off all-time lows.

COMMODITY SNAPSHOT

- ***U.S. dairy produce and egg exports more than quadrupled in last 10 years. Current trend: UPWARD***
- ***Seasonality: Exports historically peak in May while bottom in January***

DAIRY PRODUCE & EGGS EXPORTS



DAIRY PRODUCE & EGG EXPORTS ON MARKED UPTREND

U.S. exporters of dairy produce and eggs (HS code 04) must be thrilled to see foreign demand for their product more than quadruple in the last 10 years. Except for 2009, dairy produce and egg exports by dollar value have grown each year since 2003. Although dairy produce and egg exports declined in the second half of 2012, they quickly recovered in early 2013, partly because of avian flu outbreaks in Mexico and China, which spurred demand for imported eggs. For the first seven months of 2013, total dairy produce and egg exports were up 22 percent; for all of 2013, exports are expected to advance by a remarkable 38 percent year-over-year and total $5.8 billion.

The trend for U.S. dairy produce and egg exports is clear: upward.

SHARE OF U.S. DAIRY PRODUCE & EGGS EXPORTS AND ANNUAL GROWTH RATES (CONSTANT U.S. DOLLARS)

	SHARE OF EXPORTS			ANNUAL GROWTH RATES		
	2011	2012	2013YTD	2011	2012	2013YTD
MEXICO	0.263	0.273	0.262	41%	7%	30%
CHINA	0.066	0.065	0.080	56%	2%	50%
CANADA	0.064	0.063	0.057	10%	1%	22%
PHILIPPINES	0.056	0.061	0.055	30%	12%	4%
INDONESIA	0.049	0.038	0.052	32%	-20%	59%
JAPAN	0.070	0.058	0.051	47%	-14%	2%
KOREA	0.049	0.048	0.051	70%	1%	23%
VIETNAM	0.042	0.026	0.039	21%	-35%	59%
EGYPT	0.022	0.018	0.027	-17%	-19%	44%
SAUDI ARABIA	0.025	0.027	0.027	61%	9%	0%

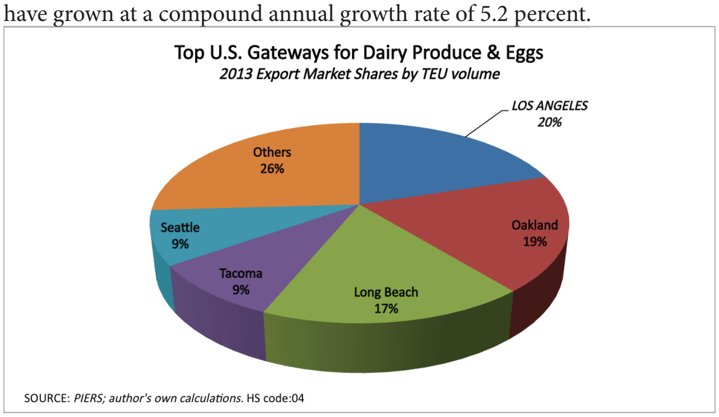
Source: U.S. International Trade Commission; Author's own calculations
YTD: January through July

CHINA GAINS MARKET SHARE, MEXICO LOSES

Mexico is by far the largest market for U.S. dairy produce and eggs, but its market share has declined this year while China's share has increased. The avian flu, which unleashed in Mexico in 2012 and continued this year, spurred demand for imported eggs. Nevertheless, the demand from Mexico this year was not as strong as China's. The U.S.'s No. 2 market China imported 50 percent more U.S. dairy produce and eggs through July, while Mexico imported 30 percent more. The avian flu also impacted China's production of poultry and eggs this year, which partly explains the strong demand for U.S. eggs. China's market share increased from 6.6 percent in 2011 to 8.0 percent in 2013, while Mexico's market share stood merely unchanged at 26.2 percent over the same period.

Faltering production of dairy produce from other major suppliers and favorable exchange rates have also contributed to record export figures this year.

By volume, exports are also having a good year, up 11 percent year-to-date for a total of 49,235 TEUs. Between 2007 and 2012, volume exports have grown at a compound annual growth rate of 5.2 percent.

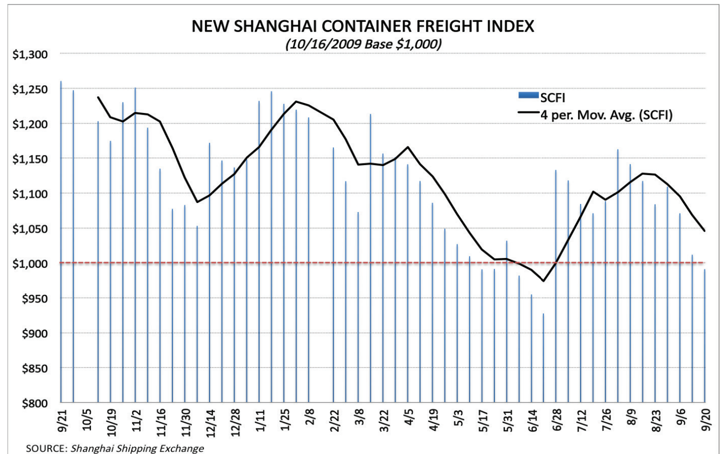


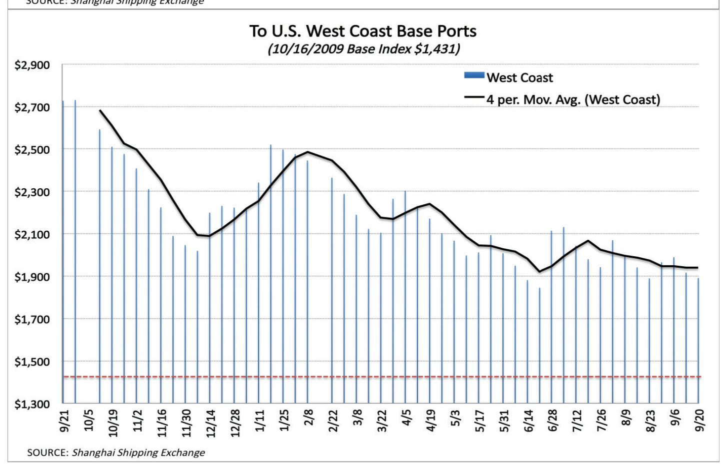
PORT OF LOS ANGELES SHIPPED MOST DAIRY PRODUCE AND EGGS YEAR-TO-DATE

Year-to-date through July, Port of Los Angeles shipped 20 percent of all U.S. dairy produce and eggs, a total of 9,907 TEUs. The Port of Oakland followed closely with a 19 percent share and a total TEU count of 9,275. The Top 5 ports that shipped the most dairy produce and eggs year-to-date are on the West Coast.

INTERNATIONAL SHIPPING PRICES

◆ ***General rate increase of $400 per FEU announced for Oct. 15***





THE SHANGHAI CONTAINERIZED FREIGHT INDEX DOWN FOR THREE STRAIGHT WEEKS

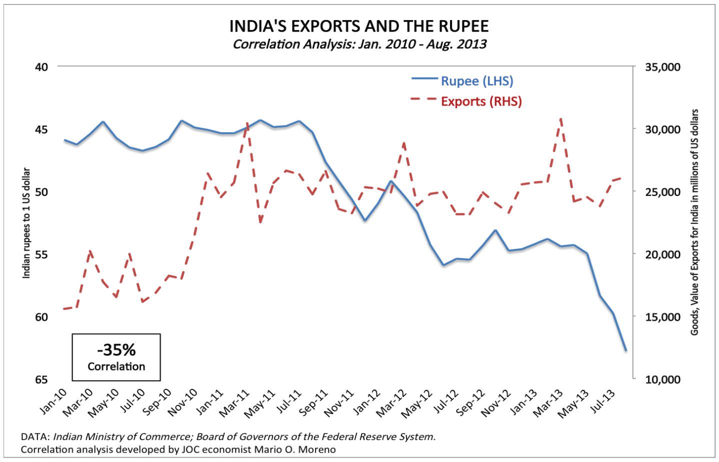
The Shanghai Containerized Freight Index, which measures average export spot rates, fell 2 percent on Sept. 20 from the prior week to $990.97. The index stood below its four-week moving average for six consecutive weeks, underscoring trade softness despite peak season.

On Sept. 20, the freight rate for the voyages from Shanghai to base ports on the U.S. West Coast was $1,891 per 40-foot-equivalent unit, down $25 from the preceding week. The freight rate has declined for only two straight weeks, underscoring the erosion of the proposed Sept. 1 ocean carrier general rate increase of $400 per 40-foot container. However, vessel utilization levels appear to be holding up. China's containerized exports to the U.S. rose 3.2 percent year-over-year in July.

Cosco recently announced a general rate increase of $400 per FEU on U.S.-bound trade lanes for Oct. 15.

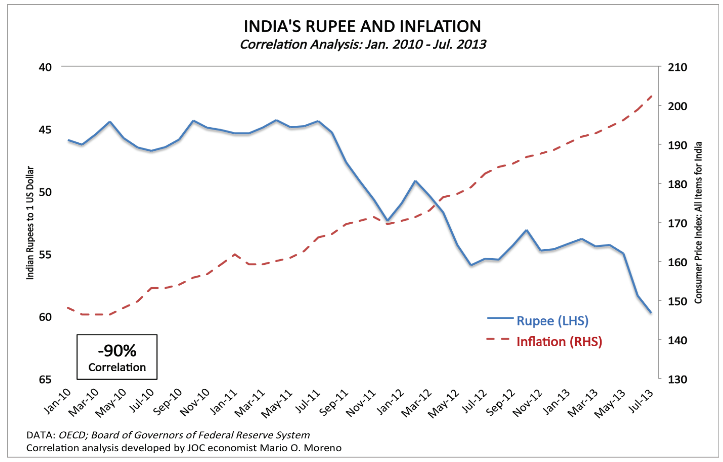
Rates from Shanghai to the Mediterranean fell below the $1,000-per-TEU mark on Sept. 20 for the first time since the end of May.

CORRELATIONS



MODEST INVERSE LINEAR RELATION BETWEEN RUPEE AND INDIA'S EXPORTS

Conventional macroeconomics says that when the value of a nation's currency declines, exports soon get a boost as the value of that nation's goods looks more competitive in world markets. The Indian rupee has declined 30 percent in value against the U.S. dollar since July 2011, and is down 14 percent since the beginning of year, making it one of the world's worst currency performers this year. India's total exports, on the other hand, rose year-over-year in nine of the last 11 months, but the growth did not succeed in making a significant dent in the trade gap. The strength of the inverse linear relationship between the rupee and India's total exports measured minus-35 percent from January 2010 and August 2013, suggesting other major factors perhaps are offsetting a more sizable export growth: weak global economy, infrastructure deficits, high inflation.



STRONG INVERSE LINEAR RELATIONSHIP BETWEEN RUPEE AND INDIA'S CPI

Rising inflation in India undermines the competitive gains from depreciation as manufacturers face rising costs of raw materials, many of which are imported. India's consumer price index jumped 10.8 percent in July year-over-year, and is currently trending up. The strength of the linear relationship between the value of the rupee and India's CPI measured minus-90 percent from January 2010 to July 2013. This inverse relationship means that as the value of the rupee declines, India's CPI increases, and vice versa.

A stronger and more stable currency is preferred here as most input materials needed for India's domestic and export production are imported.

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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