JOC INSIGHTS

JANUARY 2014

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

AT THE TIME OF writing, the Bureau of Economic Analysis released its first estimate of fourth quarter U.S. Gross Domestic Product. The U.S. economy grew at a 3.2 percent pace (adjusted for inflation) in the fourth quarter led by a component with most influence on eastbound transpacific trade volumes: personal consumption. Personal consumption expenditures rose by the most in three years, up by 3.3 percent in the fourth quarter compared with an increase of 2.0 percent in the third, and significantly offset losses in government expenditures. The pickup in consumer spending is highly important for the imports trade, especially for the eastbound transpacific trade lane as most of the retail goods imported are shipped from Asia.

Home construction activity declined in the fourth quarter, but we saw this coming as 30-year mortgage rates began to increase. Adverse weather may have had an influence over home construction activity but also higher home prices. Higher home prices combined with rising mortgage rates may have dampened the outlook for home sales activity for 2014, as evidenced by existing home sales data for the last 4 months of 2013. Existing home sales data exhibits a strong positive correlation with U.S. containerized imports of furniture, the top-ranked import commodity. If existing home sales decline the tendency is that furniture imports will decline as well, with negative consequences over containerized imports. The current outlook for existing home sales is negative (page 3). Nevertheless, the outlook for auto parts, apparel, and footwear is positive this year. These are major containerized imports, and together account for approximately 15 percent of total U.S. containerized imports.

Capital spending rebounded and exports strengthened in the fourth quarter, but what's surprising is the further increase in private inventories. Stockpiles grew by $127.2 billion, following increases of $115.7 billion in the third quarter. This suggests shippers remained optimistic on future sales, even beyond the holiday shopping season.

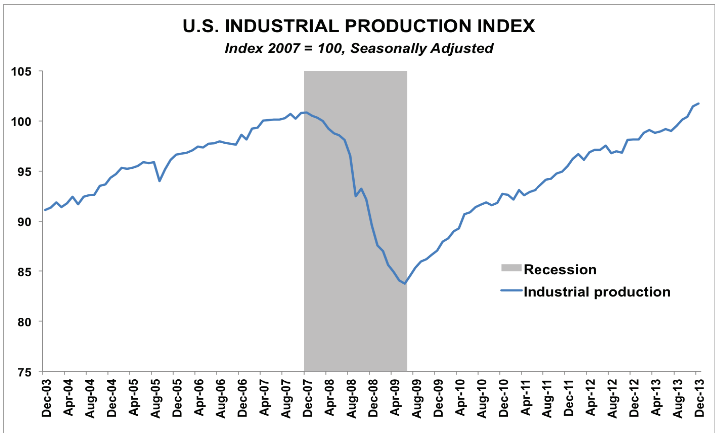
The second half of 2013 was better for the U.S. economy as predicted in a prior JOC Insights report. For 2014, the expectation is for growth of 2.5 to 3.0 percent, partly due to diminishing effects of government spending contraction and better outlook for the job market. Consumer spending appears to be on strong footing.

This issue of JOC Insights presents my most updated forecasts on the U.S. – Central America container trade, and a special analysis of U.S. soybeans exports.

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

THE SHIPPING ECONOMY

- ***U.S. manufacturing index in expansion, led once again by new order***
- ***U.S. ocean container trade advanced in November on rising exports***
- ***Retail sales strengthened further in December***
- ***Strong evidence sales of existing homes will cool next year with adverse impact over imports***
- ***China's manufacturing sector continues to face major headwinds***

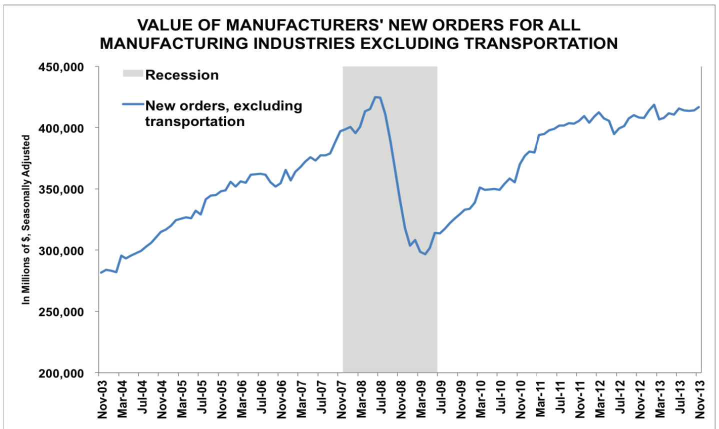


DATA: *Federal Reserve.*

DECEMBER 2013: U.S. INDUSTRIAL PRODUCTION INDEX UP 0.3 PERCENT

U.S. industrial production met expectations in December mostly because of a strong surge in manufacturing. Overall industrial production increased 0.3 percent, following a 1.0 percent boost in November. The manufacturing component advanced in December for the fifth straight month, driven mostly by motor vehicles. Excluding motor vehicles, manufacturing expanded 0.4 percent, following a similar increase of 0.4 percent in November.

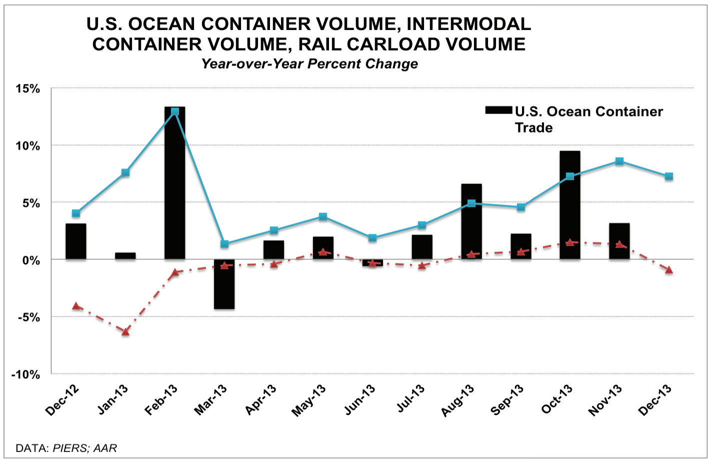
It is clear that manufacturing has gathered momentum, and the gains will add to fourth quarter gross domestic product.



DATA: *US Census Bureau.*

Factory orders rebounded 1.8 percent in November, due to solid domestic and foreign demand. Outside of transportation, new orders rose 0.6 percent after an upward revised 0.1 percent gain in October. Year-to-date, from January through November, orders excluding transportation were up 1.9 percent, totaling $4.5 trillion. Orders peaked in 2012 when nominal value totaled $4.9 trillion.

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 TRADE GREW 3.1 PERCENT IN NOVEMBER

U.S. ocean container trade advanced in November as the exports trade strengthened. Trade jumped 3.1 percent year-over-year, totaling 2.5 million TEUs.

Rail container shipments expanded 7.3 percent year-over-year in December, while rail carloads dipped 0.9 percent.

GLOBAL MANUFACTURING

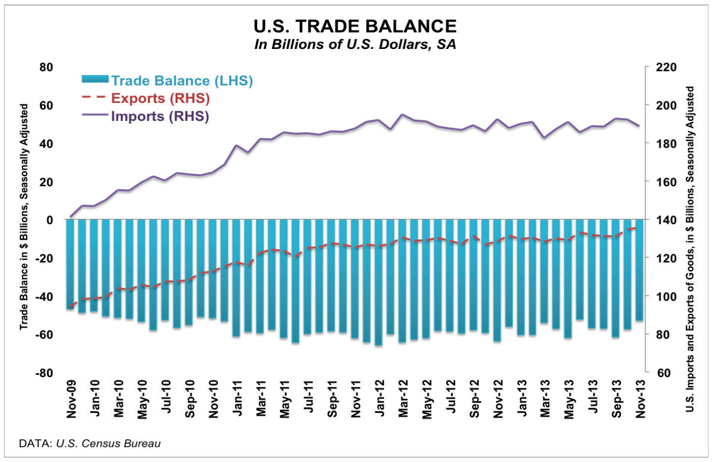
	DEC-13	NOV-13	MOM	DIRECTION, RATE OF CHANGE
US PMI	**57**	**57.3**	**-0.3**	**GROWING, SLOWER RATE**
NEW ORDERS	64.2	63.6	0.6	GROWING, FASTER RATE
INVENTORIES	47	50.5	-3.5	CONTRACTING, FROM GROWING
CHINA PMI	**50.5**	**50.8**	**-0.3**	**GROWING, SLOWER RATE**
GLOBAL PMI	**53.3**	**53.1**	**0.2**	**EXPANDING, FASTER RATE**

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

U.S. MANUFACTURING SECTOR IN EXPANSION FOR THE SEVENTH STRAIGHT MONTH

The U.S. manufacturing sector continued to show strength into year-end, led once again by new orders. The PMI composite index gave a reading of 57.0, down one-third of a point over the prior month, indicating growth at a slower rate. Boosted by solid domestic demand, new orders gave a plus 60 reading for the fifth straight month, while rising production prompted employers to increase hiring. U.S. manufacturing production is poised to expand further this year on the back of improving domestic and global conditions.

China's manufacturing sector expanded in December but at a slower rate. New orders increased at a marginally slower pace, with foreign orders declining for the first time in four months. Total China exports to the U.S. via ocean container grew 4.6 percent year-over-year in November, following a similar 4.6 percent year-over-year increase in October. Hiring rose for the second straight month, while backlogs of work increased at a modest pace.

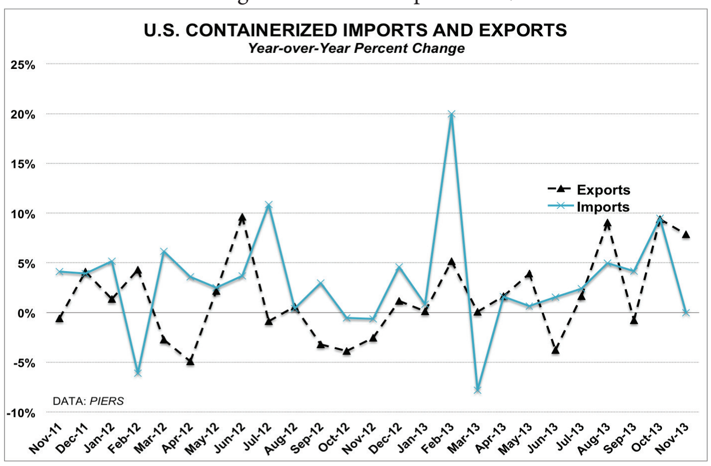


NOVEMBER 2013: U.S. EXPORTS OF GOODS ADVANCED FOR SECOND STRAIGHT MONTH

U.S. exports of goods rose in November for the second straight month, up 0.8 percent from October. The advance mostly reflected increases in industrial supplies, capital goods, and motor vehicles and parts.

U.S. imports of goods, however, declined in November for the second straight month, down 1.8 percent after sliding 0.2 percent in October. Losses in imports were mostly seen in industrial supplies, and foods, feeds and beverages.

The U.S. trade deficit in goods narrowed 7.8 percent to $53.0 billion.



U.S. CONTAINER TRADE

	NOV-13	MOM	YOY	YTD	2013(F)	2014(F)
IMPORTS	**1,446**	**-9.1%**	**0.0%**	**3.2%**	**3.5%**	**5.9%**
EXPORTS	**1,033**	**-3.8%**	**8.6%**	**3.1%**	**1.9%**	**2.0%**

Source: PIERS; JOC Container Shipping Outlook, December 2013

NOVEMBER 2013: U.S. CONTAINERIZED IMPORTS UNCHANGED; EXPORTS UP 8.6 PERCENT

U.S. containerized imports via ocean stood unchanged year-over-year in November after rising for seven consecutive months, totaling 1,446,224 TEUs.

Among the top 25 source countries, imports from Ecuador increased 19 percent year-over-year. Taiwan followed with a gain of 10 percent, while Thailand gained 8 percent. On the downside, U.S. imports from Brazil declined 21 percent.

Leading the gains among the top 25 imports were fabrics, up 48 percent year-over-year; woodenware, up 32 percent; and miscellaneous plastic products, up 31 percent. The largest declines were seen in menswear, down 38 percent; computers, down 19 percent; and miscellaneous apparel, down 17 percent.

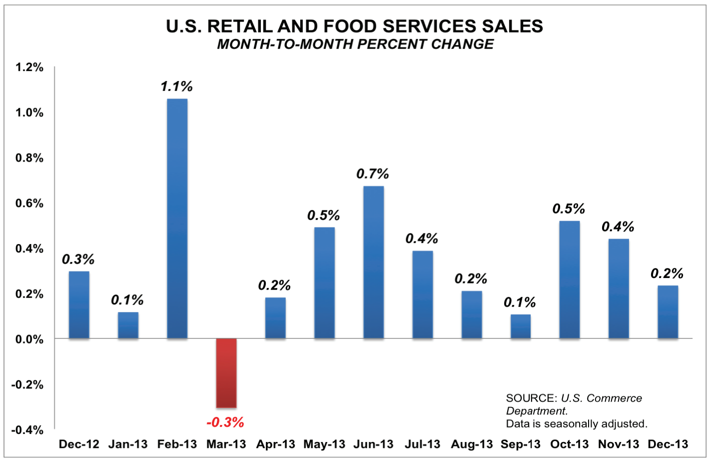
The U.S. economy performed much better than expected in the third quarter, but around half of the 4.1 percent expansion came from a sharp increase in inventories. The labor market is firming, even after a weak December employment report, which showed a gain of only 74,000 payrolls. We need to look at this number with a grain of salt because in the last 12 months through December, the U.S. economy averaged monthly gains of more than 180,000 jobs, which is respectable.

Overall U.S. containerized exports via ocean jumped 8.6 percent year-over-year in November to 1,040,140 TEUs, according to preliminary data from PIERS. Gains were seen in grains and flour products, up 386 percent year-over-year or 20,272 TEUs; miscellaneous plastic products, up 45 percent or 6,364 TEUs; and logs and lumber, up 27 percent or 7,850 TEUs.

On the downside, year-over-year losses were seen in metal scrap, down 30 percent or 4,343 TEUs; and PVC resins, down 22 percent or 2,956 TEUs.

Among the top 25 export markets, shipments to the Philippines rose the most in November, up 31 percent year-over-year. Shipments to Turkey and China followed with gains of 30 and 24 percent, respectively. On the downside, exports to Colombia declined 15 percent.

Year-to-date, from January through November, overall U.S. containerized exports were up 3.1 percent, in line with the December forecast of 1.9 percent growth for 2014.



RETAIL SALES UP 0.2 PERCENT IN DECEMBER

Retail and food services sales grew in December for the ninth straight month, underlining a moderately healthy consumer sector. Sales advanced 0.2 percent after a downwardly revised gain of 0.4 percent in November. The strength in sales was found outside of motor vehicles, which declined 1.8 percent after a 1.9 percent gain in November. Outside of the volatile components of motor vehicles and gasoline, sales increased 0.6 percent after a 0.3 percent gain in November.

Within the core, weakness was mostly seen in electronics and appliances stores, and in furniture and home furnishings stores. U.S. containerized imports of furniture via ocean declined 5 percent year-over-year in November after several months of expansion.

The retail inventory-to-sales ratio stood unchanged in November at 1.43, indicating optimism among retailers about the holiday shopping season. I have forecast the eastbound trans-Pacific trade will rise 4.5 percent year-over-year in the fourth quarter.

U.S. HOUSING MARKET

	DEC-13	MOM	YOY	2013(E)	2014(F)
EXISTING HOME SALES	4870	1.0%	-0.6%	9%	-6%
NEW HOME SALES	414	-10.8%	4.5%	17%	12%
HOUSING STARTS	999	-9.8%	1.6%	18%	24%

*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 bounced back in December but by only 1 percent, to a seasonally adjusted annual rate of 4.87 million units. Year-over-year, sales fell again, this time by 0.6 percent. As I stated in the December JOC Insights report, the outlook for existing home sales is not good, mostly based on tight supply, rising prices, and higher mortgage rates. As home sales cool, the demand for foreign furniture slows with negative effects over import volumes. After several months of gains, U.S. containerized imports of furniture declined 5 percent in November, year-over-year.

Housing starts declined in December but followed a strong November. Permits data point to deceleration in the home construction market. This is important for maritime imports because if monthly housing unit starts go up by 1,000, we can expect monthly imports of veneer sheets to increase between 4 and 6 TEUs, with 95 percent confidence.

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

COUNTRY	Q3-2012	Q4-2012	Q1-2013	Q2-2013	Q3-2013(E)	2013(F)	2014(F)
U.S.	3.1	2.0	1.3	1.6	2.0	1.7	2.6
CHINA	7.4	7.9	7.7	7.5	7.8	7.7	7.3
JAPAN	-0.1	-0.3	-0.1	1.3	2.4	1.7	1.7
U.K.	0.2	0.2	0.7	2.0	1.9	1.8	2.5
GERMANY	0.9	0.3	-0.3	0.5	0.6	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.*

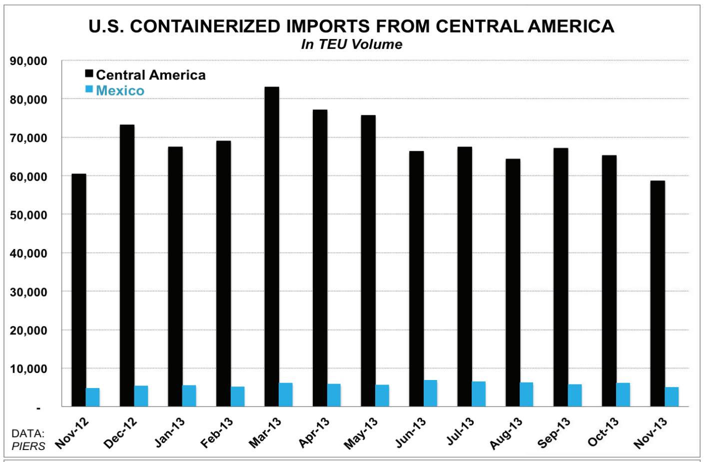
Source: OECD; EIU forecasts; in-house forecast - updated as of January 23, 2014

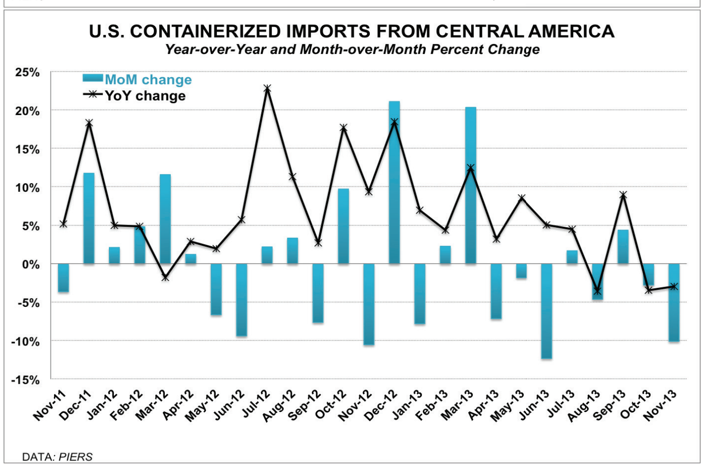
China's economic output may have averaged 7.7 percent in 2013, a respectable growth rate considering the headwinds faced last year. For 2014, the Economist Intelligence Unit predicts China's economy will expand 7.3 percent, on higher private and public spending, and better exports outlook especially to the U.S. and Europe. However, China's manufacturing sector continues to face serious headwinds as evidenced by the HSBC China PMI index of December (page 2)..

REGIONAL CONTAINER TRADE

- *Imports from Central America to expand further in 2014*
- *Exports to Central America on negative outlook*

IMPORTS FROM CENTRAL AMERICA





IMPORTS, NOVEMBER 2013

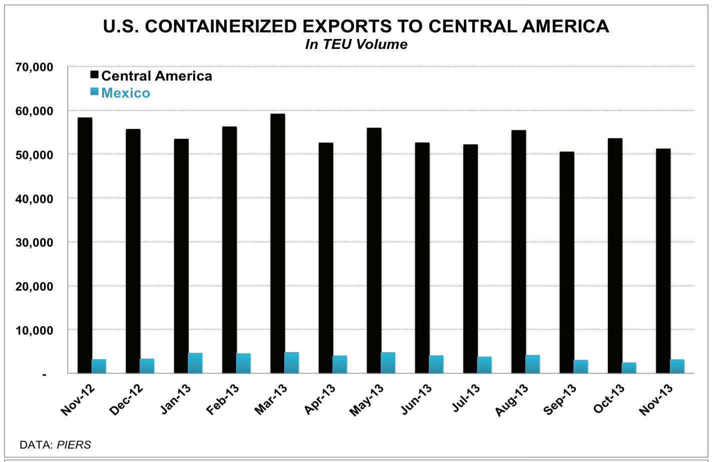
TRADE LANE	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
CENTRAL AMERICA	**58,629**	**-10.1%**	**-3.0%**	**4.1%**	**3.6%**	**6.1%**
MEXICO	5,102	-17.9%	5.4%	-0.4%	2.2%	16.9%

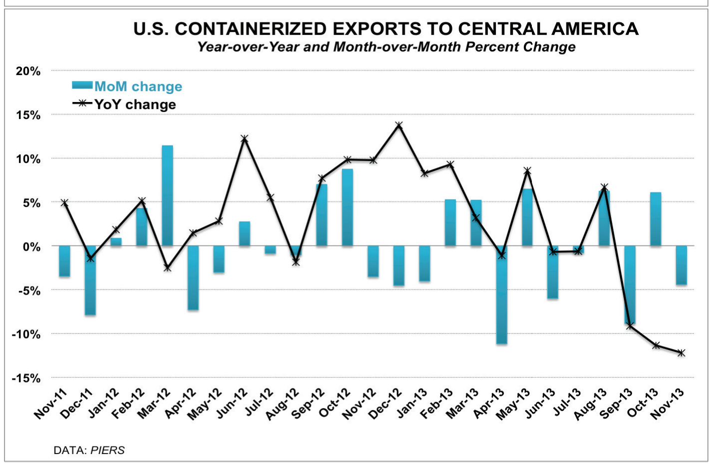
Source: JOC-PIERS Container Shipping Outlook December 2013 issue

NOVEMBER 2013: IMPORTS FROM CENTRAL AMERICA DOWN IN THREE OF LAST FOUR MONTHS

Inbound trade from Central America totaled 58,629 TEUs in November, down 3 percent from November 2012, and down in three of the last four months. Inbound trade from Mexico rebounded 5.4 percent year-over-year in November after contracting 10.4 percent in October. Gains in all of Central America were mostly driven by pineapples, up 15 percent; miscellaneous fruits, up 21 percent; and fabrics including raw cotton, up 57 percent. Year-to-date, through November, imports from Mexico slid 0.4 percent, while imports from all of Central America were up 4.1 percent.

EXPORTS TO CENTRAL AMERICA





EXPORTS, NOVEMBER 2013

TRADE LANE	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
CENTRAL AMERICA	**51,175**	**-4.4%**	**-12.2%**	**-0.3%**	**0.0%**	**-4.4%**
MEXICO	3,111	29.3%	-0.8%	14.0%	24.0%	-9.7%

Source: JOC-PIERS Container Shipping Outlook December 2013 issue

NOVEMBER 2013: EXPORTS TO CENTRAL AMERICA DOWN FOR THREE CONSECUTIVE MONTHS

Outbound U.S. trade to Central America totaled 51,175 TEUs in November, down 12.2 percent year-over-year, marking the third consecutive monthly year-over-year contraction. Trade to Mexico declined year-over-year in November for the third straight month. Losses for all of Central America were mostly driven by paper and paperboard, down 14 percent; raw cotton, down 14 percent; and motor vehicles, down 14 percent. Year-to-date, exports to Mexico were up 14 percent, while exports to all of Central America were down 0.3 percent.

Trade to Central America will post negative growth through 2015 after a flat showing in 2013. A robust trade in textile industry inputs will keep positive pressure on the trade, but reduced earnings from commodity exports will limit income and demand growth in the region.

Mexico's economy surprisingly stalled in November after five consecutive months of expansion. This is partly because of contraction in agriculture and industrial activity. Mexico's economy, however, is expected to rebound this year by 3.9 percent on higher government spending and stronger demand for exports from the U.S.

TOP COMMODITIES: CENTRAL AMERICA

TOP U.S. IMPORTS FROM CENTRAL AMERICA IN TEUS: NOVEMBER 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	BANANAS	23,782	-7%	-3%	2%
2	PINEAPPLES,EXCEPT CANNED	5,250	-5%	15%	11%
3	FRUITS,MISC	3,597	369%	21%	13%
4	APPARELS,MISC.	2,644	-17%	1%	22%
5	WOMEN'S&INFANTWARE	2,249	-20%	2%	12%
6	MENSWEAR	2,052	-11%	-43%	-23%
7	VEGETABLES	1,951	-5%	-24%	0%
8	FABRICS,INCL.RAW COTTON	1,050	-24%	57%	63%
9	PLASTIC PRODS, MISC	559	-2%	98%	9%
10	MEDICAL EQUIP&SUPPLIES	465	10%	15%	3%

Source: PIERS

Containerized U.S. imports of bananas via ocean shipping declined year-over-year in November, but they are still up year-to-date by a modest 2 percent. Apparel imports, specifically women's and infant wear, continue to grow as near-sourcing progresses.

TOP U.S. EXPORTS TO CENTRAL AMERICA IN TEUS: NOVEMBER 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD,INCL WASTE	5,359	-14%	-32%	-5%
2	APPARELS,MISC.	3,233	4%	40%	40%
3	FABRICS,INCL.RAW COTTON	3,145	-14%	16%	8%
4	AUTOMOBILES	2,355	-14%	-19%	-11%
5	GROCERY PRODS,MISC.	2,081	8%	-31%	-13%
6	FRUITS,MISC	1,332	59%	-49%	-43%
7	FURNITURE	1,326	-3%	21%	17%
8	PLASTIC PRODS, MISC	978	3%	-3%	2%
9	AUTO PARTS	852	-22%	-31%	-5%
10	POULTRY,CHIEFLY FRESH&FROZEN	813	-4%	-22%	-2%

Source: PIERS

The market for autos and parts in Central America is soft because of a slowing global economy. U.S. exports of motor vehicles via ocean containers were down 11 percent through November year-over-year, while exports of auto parts were down 5 percent.

PORT TRAFFIC

- ***Port of Los Angeles was top U.S. port through November, with volume of approximately 5.2 million fully loaded TEUs***
- ***Port of Shanghai is China's top port with total traffic of nearly 30.9 million fully loaded and empty TEUs through November***

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In November 2013 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 LOS ANGELES	496	11.4%	5,184
2 LONG BEACH	413	8.3%	4,543
3 NEW YORK	327	1.6%	3,852
4 SAVANNAH	198	11.8%	2,179
5 VIRGINIA PRTS	156	-0.8%	1,685
6 OAKLAND	136	6.9%	1,484
7 TACOMA	124	19.3%	1,194
8 HOUSTON	114	-11.8%	1,443
9 CHARLESTON	108	3.0%	1,194
10 SEATTLE	63	-31.6%	904

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

Top 10 ports handled 85.4 percent of the total U.S. international container traffic year-to-date through November, down one-tenth of a percent from last year.

Container traffic at top-ranked Port of Los Angeles rebounded 11.4 percent year-over-year in November, while Port of Long Beach advanced 8.3 percent.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In November 2013 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 SHANGHAI (上海)	2,944	4.2%	30,916
2 SHENZHEN (深圳)	1,982	7.6%	21,297
3 NINGPO ZHOUSHAN (宁波－舟山)	1,394	8.7%	15,989
4 QINGDAO (青岛)	1,217	-0.3%	14,378
5 GUANGZHOU (广州)	1,422	13.2%	13,933
6 TIANJIN (天津)	1,081	2.8%	11,969
7 DALIAN (大连)	969	29.9%	9,066
8 XIAMEN (厦门)	711	2.3%	7,283
9 LIANYUNGANG (连云港)	457	0.9%	5,029
10 SUZHOU (苏州)	380	-36.2%	4,891

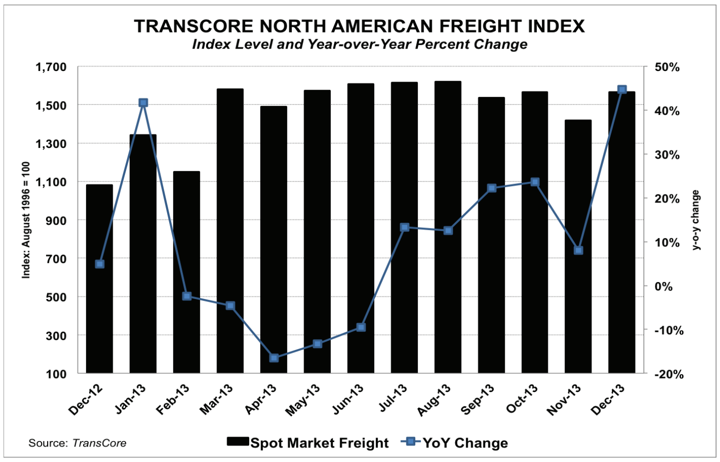
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

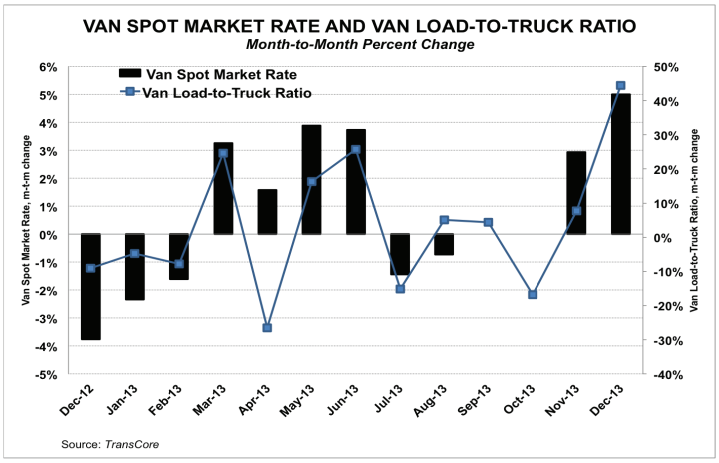
Container traffic at Port of Shenzhen expanded in November, up 7.6 percent year-over-year, while traffic at Shanghai advanced 4.2 percent. Container traffic at Port of Qingdao edged down 0.3 percent year-over-year in November, but it continues trending up.

TRUCKING

◆ *Strong second half freight volume on higher confidence among businesses.*

DOMESTIC TRUCKING PRICING





DECEMBER 2013: FREIGHT INDEX UP 45 PERCENT YEAR-OVER-YEAR

Spot market freight availability rose 10 percent in December compared to November, according to the DAT North American Freight Index, capping two quarters of unusually strong seasonal volume. Typically, freight levels peak in the second quarter and decline in the third quarter, remaining low through year-end, but this year's pattern formed a high plateau through most of the second half.

The strong second half is attributed to increased confidence among businesses that boosted inventory levels in expectation of improved sales during and after the Christmas season. Severe weather also played a role, as snowstorms caused some freight to be postponed or diverted, adding to pent-up demand. Compared to December 2012, spot freight volume increased 45 percent, and the continued, atypical demand set a sixth consecutive record for same-month freight volume, with the highest level for any December since the DAT Index began in 1996.

Load availability in December rose 19 percent for vans, 14 percent for refrigerated ("reefer") trailers and 1 percent for flatbeds, compared to the prior month. Year-over-year, van freight volume increased 41 percent, while reefer loads added 65 percent and flatbed freight increased 43 percent.

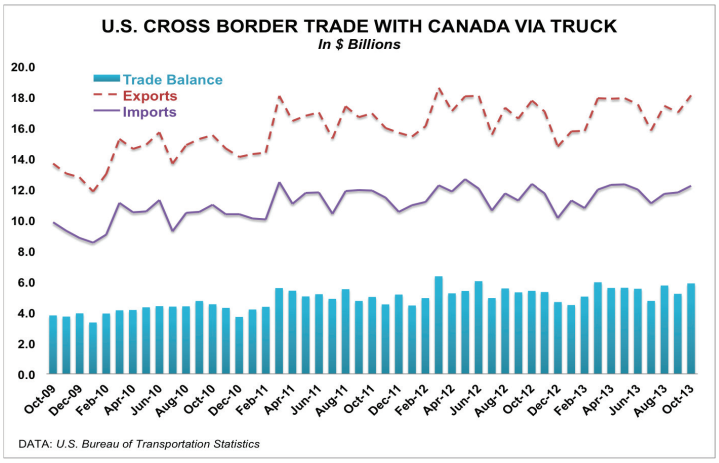
December's elevated freight volume was supported by an increase in spot market rates. Rates rose 5 percent for vans, reaching a monthly average of \$1.95 per mile, the highest observed since DAT began publishing spot rates in 2009. Reefer and flatbed rates also increased month-to-month, 3.2 percent and 3.8 percent, respectively. A number of factors contributed to the van rate surge, including an estimated capacity reduction of at least 3 percent because of hours of service rule changes, strong energy, automotive and produce sectors, and increased grain production. Compared to December 2012, rates rose 15 percent for vans, 6.7 percent for reefers and 7.8 percent for flatbeds.

DAT RateViewTM recorded a 7 cent (5.0 percent) increase in the national average spot market line-haul rate for dry vans in the U.S. in December compared to November, not including fuel surcharges. The fuel surcharge for vans stabilized at 47 cents during the period, raising the total rate from \$1.87 to an average of \$1.94 per mile, including fuel.

On a year-over-year basis, load volume rose 41 percent for vans in November, while capacity edged 0.8 percent lower. The resulting load-to-truck ratio increased 42 percent, from 2.5 to 3.6, compared to December 2012.

Van spot market rates rose 9 cents (15 percent) compared to December 2012, not including fuel surcharges that declined 2 cents (4.1 percent) in that period. The total rate, including the surcharge, increased 5 cents (9.6 percent) from \$1.83 to \$1.94 per mile.

The average line-haul rate for all 12 months of 2013 was \$1.34, up 2 cents (1.4 percent) from the corresponding rate in 2012, but the total rate was less than 1 cent (0.1 percent) lower in 2013 because of an offsetting decline in the fuel surcharge.



U.S. TRADE DEFICIT WITH CANADA VIA TRUCK WIDENED TO \$5.9 BILLION IN OCTOBER

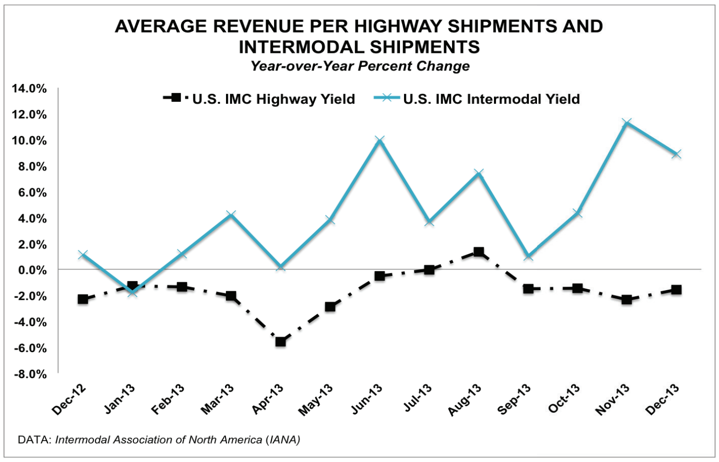
U.S. exports to Canada via truck advanced 1.9 percent in October year-over year, and totaled \$18.1 billion. Year-to-date, from January through October, exports to Canada via truck edged up 0.4 percent, which compares unfavorably with the 4.4 percent expansion seen during the same period in 2012.

U.S. imports from Canada via truck declined in October by the most in five months, down 1.2 percent year-over-year, and totaled \$12.2 billion. Year-to-date, from January through October, U.S. imports from Canada edged up 0.4 percent, which compared unfavorably with the 3.1 percent expansion seen during the same period in 2012.

The U.S. trade deficit with Canada widened to \$5.89 billion in October from \$5.21 billion in September.

RAIL

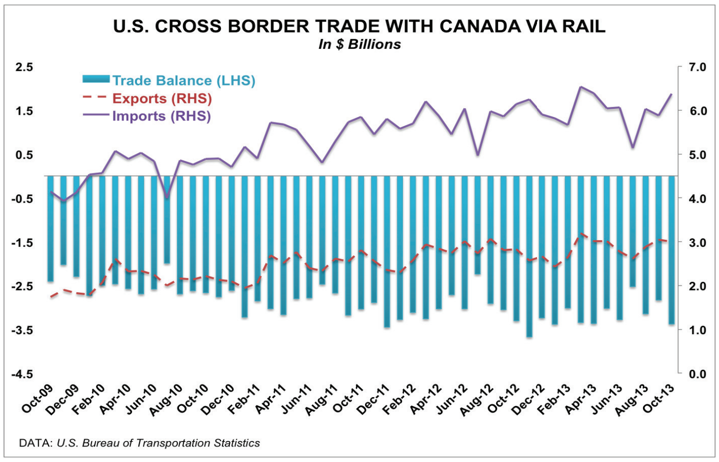
- *U.S. exports to Canada via rail expanded in October for second straight month*
- *U.S. rail transportation of lumber slid as the home construction market faced a setback.*



DECEMBER 2013: AVERAGE REVENUE PER HIGHWAY SHIPMENTS DOWN 1.6 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMEMTS UP 8.9 PERCENT

The average revenue per highway load declined in December for the fourth straight month, down 1.6 percent year-over-year to $1,475. From November to October, the average revenue increased 2.1 percent (or $30).

The average revenue per intermodal load advanced 8.9 percent to $2,909, after rising 11.3 percent in the prior month. From November to December, the average revenue increased 1.5 percent (or $42).

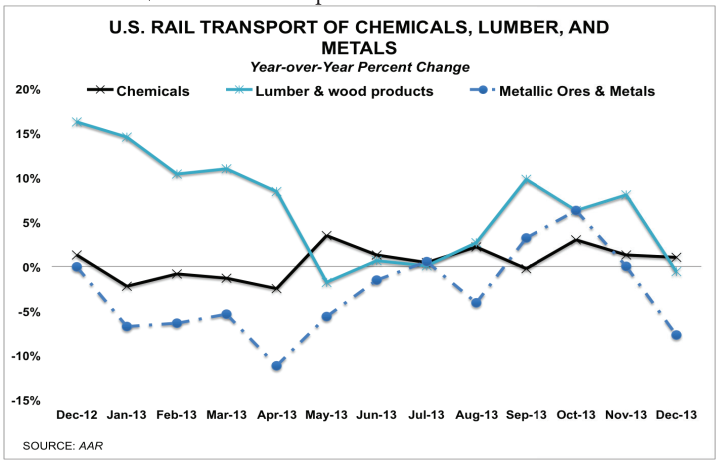


U.S. TRADE DEFICIT WITH CANADA VIA RAIL WIDENED IN OCTOBER

U.S. exports to Canada via rail expanded 5.9 percent in October year-over-year, totaling $3.0 billion. Rail exports to the northern neighbor have rebounded for two straight months, still reflecting a weak Canadian economy. Year-to-date, from January through October, exports to Canada via rail were up just 2.8 percent year-over-year. This compared unfavorably with the 12.9 percent year-over-year expansion seen in the same period in 2012.

U.S. imports from Canada via rail advanced 3.9 percent in October year-over-year, and totaled $6.4 billion. Imports from Canada have increased for eight consecutive straight months year-over-year. Year-to-date, from January through October, U.S. imports from Canada via rail were up 3.7 percent year-over-year, which compared unfavorably with the 7.2 percent year-over-year expansion seen in the same period in 2012.

The U.S. trade deficit with Canada via rail widened to $3.38 billion in October from $2.83 billion in September.



DECEMBER 2013: CHEMICALS UP 1.0 PERCENT; LUMBER DOWN 0.6 PERCENT

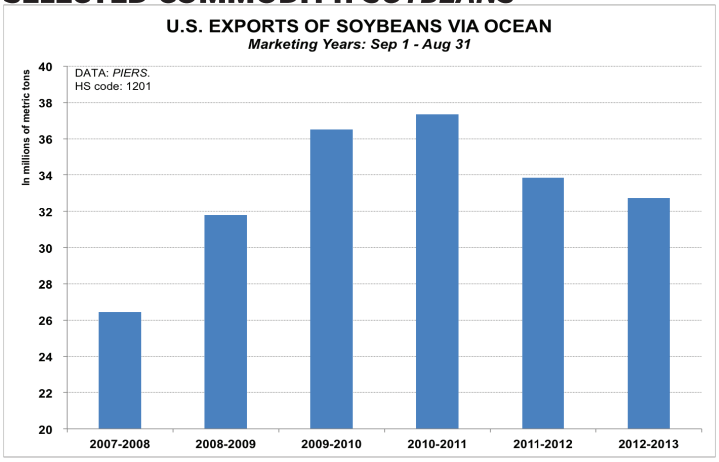
U.S. chemical carloads increased 1.0 percent year-over-year in December to total 116,938, underscoring the softness in this industry.

U.S. lumber and wood products carloads dipped 0.6 percent in December year-over-year, and totaled 11,870 carloads. The slid reflected a setback in the home construction market toward the end of 2013.

COMMODITY SNAPSHOT

- *U.S. exports of soybeans declined in 2012-2013 on drought problems*
- *Export outlook for 2013-2014 is encouraging, with China markedly boosting demand for U.S. soybeans*

SELECTED COMMODITY: *SOYBEANS*



SOYBEANS EXPORTS VIA OCEAN DOWN FOR TWO STRAIGHT YEARS

U.S exports of soybeans (HS code 1201) via ocean declined for the second straight marketing year, mostly because of poor production over the summer as drought suppressed Midwestern soybean yields.

U.S. soybeans exports via ocean declined 3.3 percent by volume in the marketing year 2012-2013 ending Aug. 31 and totaled 32.7 million metric tons. The 2012-2013 total represented only 88 percent of the prior peak seen in the 2010-2011 marketing year. Nevertheless, the outlook for the 2013-2014 marketing year looks positivem with sizable outstanding sales commitments that will support U.S. shipments at least through the start of the South American harvest this spring.

In metric ton volume, the containerization of soybeans over a five-year period is actually down, from 11 percent in the marketing year 2007-2008 to 7 percent in the marketing year 2012-2013.

SHARE OF U.S. SOYBEANS EXPORTS VOLUME AND ANNUAL GROWTH RATES

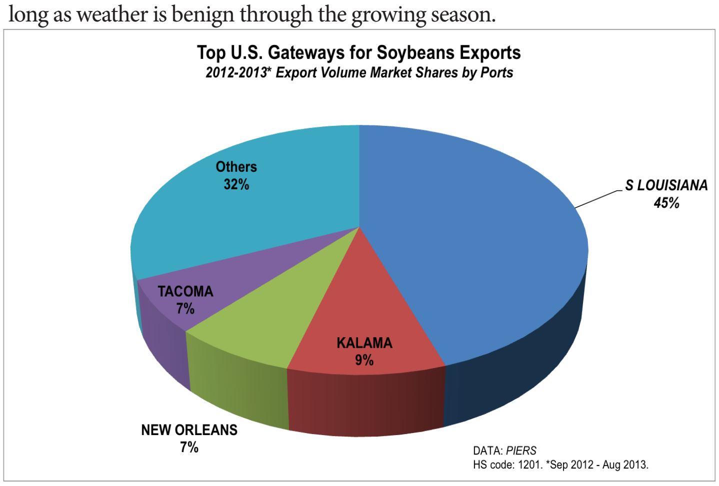
	SHARE OF EXPORTS			ANNUAL GROWTH RATES		
	2010-2011	2011-2012	2012-2013	2010-2011	2011-2012	2012-2013
CHINA	**0.649**	**0.664**	**0.611**	**12%**	**-7%**	**-11%**
JAPAN	**0.054**	**0.053**	**0.051**	**-22%**	**-11%**	**-6%**
INDONESIA	**0.041**	**0.051**	**0.040**	**5%**	**11%**	**-23%**
TAIWAN	**0.037**	**0.024**	**0.035**	**-5%**	**-42%**	**39%**
MEXICO	**0.032**	**0.034**	**0.031**	**3%**	**-3%**	**-11%**
SPAIN	**0.016**	**0.001**	**0.025**	**18%**	**-95%**	**2800%**
GERMANY	**0.008**	**0.007**	**0.029**	**-2%**	**-24%**	**302%**

Source: PIERS; Author's own calculations
HS code: 1201. Marketing year from Sep. 1 through Aug. 31

CHINA HOLDS MORE THAN 60 PERCENT OF U.S. SOYBEANS EXPORT MARKET

As measured by export volume via ocean, China is by far the largest market for U.S. soybeans, holding 61.1 percent of the market in 2012-2013. Soybeans are primarily used in China for cooking oil and animal feed. As the middle class in China grew markedly, dietary habits changed and demand for more meat increased. Unfortunately for China, they cannot easily increase soybeans output because of limited arable land; thus, China imports soybeans from the U.S. and South America where the cost of growing soybeans is cheaper.

Because South American exporters are facing logistic challenges to deliver soybeans, Chinese importers purchased more soybeans from the U.S. in the last few months to avoid potential shipping delays from South America. U.S. soybean exports to China may set a record in the 2013-2014 marketing year as long as weather is benign through the growing season.

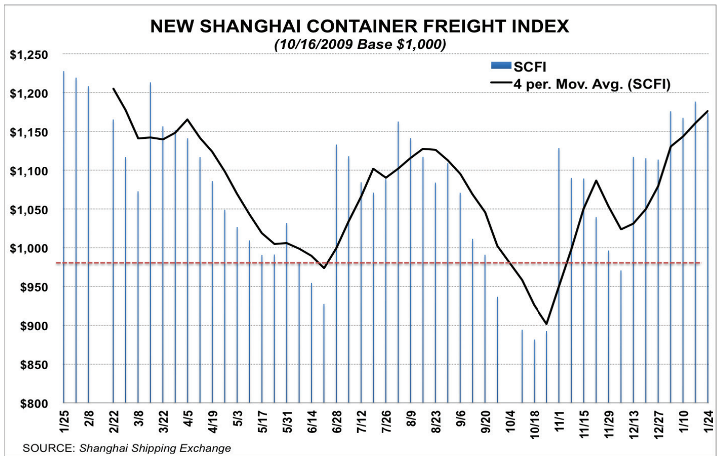


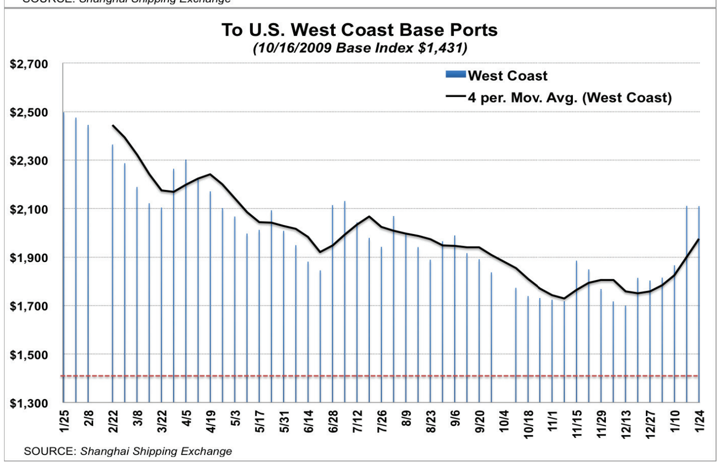
PORT OF SOUTH LOUISIANA LOST MOST EXPORT TRAFFIC OF SOYBEANS IN 2012-2013

In the marketing year of 2012-2013, Port of South Louisiana handled 45 percent of all U.S. soybeans exports as measured by metric ton volume, down 5 percentage points from a year earlier, while the Port of Kalama handled 9 percent of all exports, unchanged from a year earlier. Port of New Orleans gained 2 percentage points of export traffic in 2012-2013 over a year earlier, while Port of Tacoma lost 1 percentage point of export traffic over the same period of time.

INTERNATIONAL SHIPPING PRICES

◆ ***Shanghai-to-U.S. Spot Rates Largely Unchanged One Week Ahead of Chinese New Year***





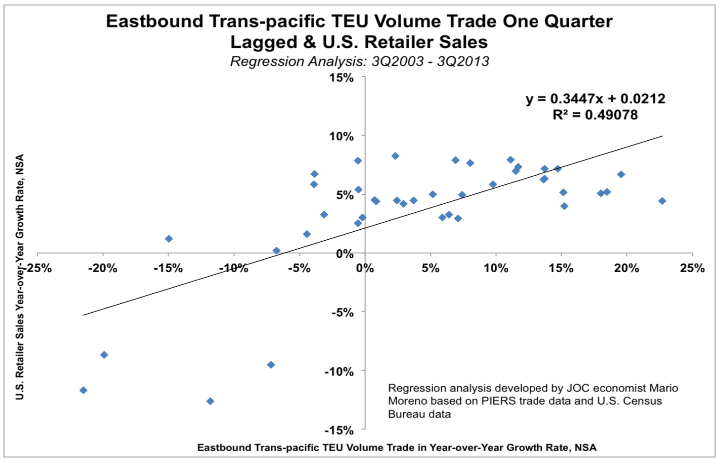
THE SHANGHAI CONTAINERIZED FREIGHT INDEX STAYED ON UPWARD TREND

The Shanghai Containerized Freight Index, which measures average export spot rates, declined 1.2 percent on Jan. 24 from the prior week to $1,173.99. The poor performance is mostly attributed to losses in the Shanghai-Europe trade lanes.

On Jan. 20, the freight rate for the voyages from Shanghai to base ports on the U.S. West Coast was $2,110 per 40-foot-equivalent unit, merely unchanged from the preceding week. During the prior three weeks, the rate increased $308 per FEU on general rate increases.

Rates from Shanghai to the U.S. East Coast ports slid 0.1 percent (or $3) in the week ending Jan. 24 from the prior week to $3,427 per 40-foot-equivalent unit. During the prior three weeks, it had jumped $323 per FEU on general rate increases.

CORRELATIONS



CAN SHIPPING DATA HELP PREDICT RETAILER SALES?

On the surface, it makes more sense to employ retailer sales data to predict imports volume: as sales decline, retailers order fewer goods, adversely impacting imports. But as we know, retailers prepare well in advance of the holiday shopping season because it is when they earn most of their profits; thus, retailers markedly increase their inventory positions in the third quarter. Third quarter imports in the eastbound trans-Pacific trade (Northeast Asia, Southeast Asia and the Indian subcontinent) were particularly strong, up 3.9 percent year-over-year, reaching the highest level since 2007. This also means that retailers in general were optimistic on the past holiday shopping season, thus they stocked accordingly. Were they right?

By constructing an econometric model, I determined that third quarter eastbound trans-Pacific trade volume predicted retailer sales would advance 3.5 percent in the fourth quarter year-over-year. Fourth quarter retailer sales are not complete, but sales for the first two months of the quarter (October and November) were up 3.9 percent year-over-year, in line with the shipping data prediction.

However, the confidence interval for the forecast model is very wide, discouraging the use of this model in its current format. At 95 percent confidence and given third quarter eastbound trans-Pacific trade volume was up 3.5 percent, fourth quarter retailer sales could have declined by as much as 4 percent or increased by as much as 11 percent year-over-year. Also, the r-square of the regression model at 0.49 tells us that about 49 percent of the variation in year-over-year changes in retailer sales is explained by year-over-year percent changes in the eastbound trans-Pacific trade one quarter lagged. The strength of the regression model at 49 percent is respectable, but not strong enough.

I suspect a second independent variable is needed to improve the accuracy of the model.

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

CUSTOMER SERVICE
Email: joc@halldata.com
Tel: 1.877.675.4761

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