



USDA 2009 Agricultural Outlook Forum

Ag Transportation Issues Now and Tomorrow

“Agricultural Opportunities in Ocean Shipping”

Donna Lemm

Director of Client Services



Confidence worldwide

Agenda

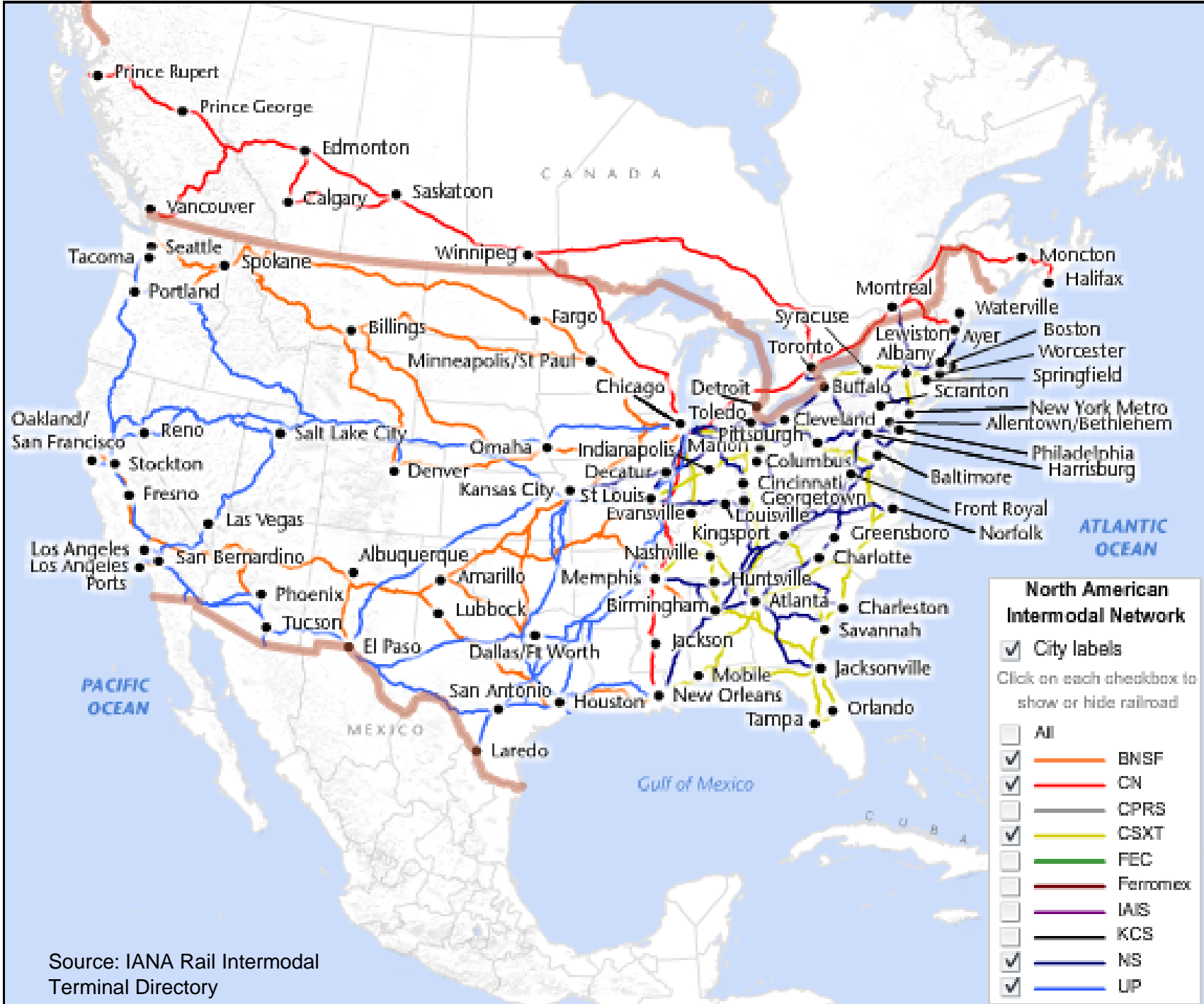
2008 Ocean Shipping in Review

1. Ramp Closures
2. Carrier Removal of Certain CY Locations
3. Equipment Shortages
4. Inbound/Outbound Equipment Imbalance

Where are we now?

1. Equipment Surplus at Port and Key Hub centers
2. Carrier Management of Capacity
3. Tougher Compliance Regulations – AES 24 Hour
4. Stricter Carrier Rules – No Doc No Load

Where will be tomorrow?



North American Intermodal Network

City labels
 Click on each checkbox to show or hide railroad

<input type="checkbox"/>	All
<input checked="" type="checkbox"/>	BNSF
<input checked="" type="checkbox"/>	CN
<input type="checkbox"/>	CPRS
<input checked="" type="checkbox"/>	CSXT
<input type="checkbox"/>	FEC
<input type="checkbox"/>	Ferromex
<input type="checkbox"/>	IAIS
<input type="checkbox"/>	KCS
<input checked="" type="checkbox"/>	NS
<input checked="" type="checkbox"/>	UP

Source: IANA Rail Intermodal Terminal Directory

2007 Service Cancellations

CSX



- Chicago to BNSF Houston and Robstown
- Birmingham, AL to BNSF El Paso, TX and Phoenix, AZ
- Columbus, OH to Worcester, MA

NS



- NACS service from NS origins to KCS Laredo, TX and interior MX points
- NS EMP container service to and from Toledo, OH
- EMP/NACS interline service to and from Cincinnati with UP/BNSF/CPRS/CN
- EMP service between NS terminals and UP Ft. Smith, AR
- EMP service to and from Houston/Englewood, TX via Memphis interchange

2007 Service Cancellations



- Closed Richmond, CA ramp



- Barbours Cut, TX to Oakland, CA
- Marion, AR to Englewood, TX (48' and 53' service)
- Houston, TX to Dallas, TX
- Hawk Fresno Ramp Closed (Fresno, CA)



Eliminating Key Store Door and CY Services

Largest Global Carrier

- Denver, CO
- Kansas City, KS
- St. Paul, MN
- Minneapolis, MN
- St. Louis, MO
- Omaha, NE
- Buffalo, NY
- Syracuse, NY
- Salt Lake City, UT

Where was the Equipment 2008?

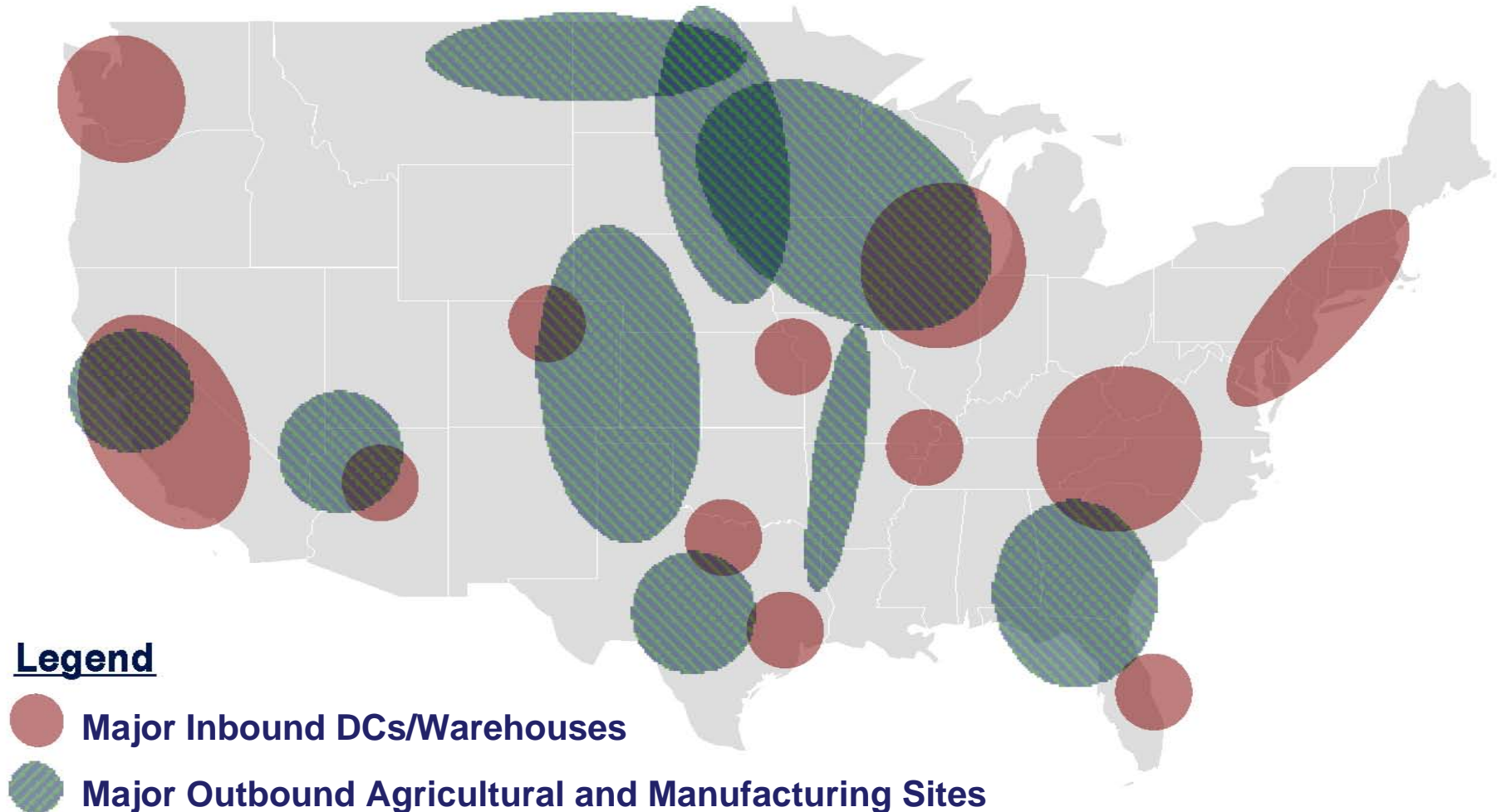


Where is the Equipment today? (2009)



Export – Import Mismatch within US

Existing mismatch between exporting & importing states is getting worse as WB volumes surge



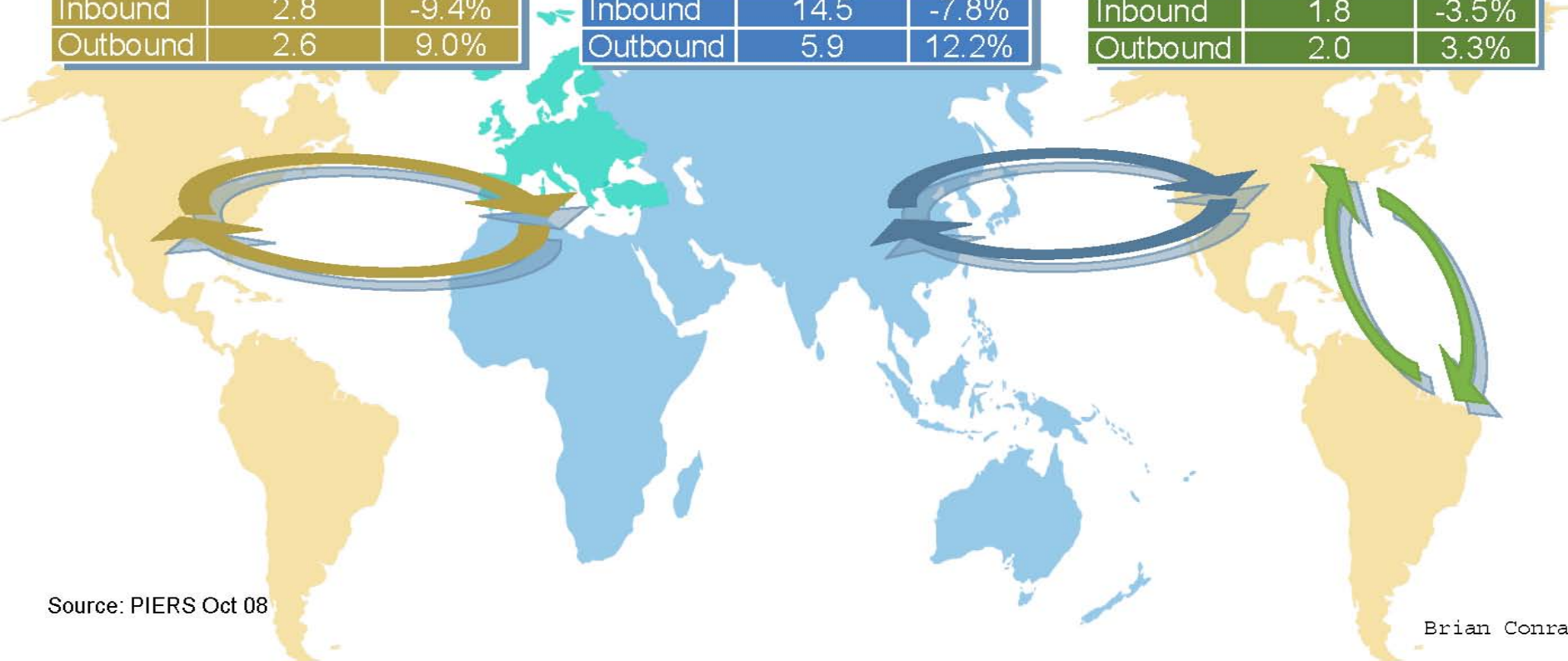
US Inbound and Outbound Volume Growth

Strong growth in US exports has altered network paradigms in/ out of US that were built to meet a totally different export-import pattern

TRANS-ATLANTIC		
	2007 Volume (Mn TEUs)	2008 est. growth
Inbound	2.8	-9.4%
Outbound	2.6	9.0%

TRANS-PACIFIC		
	2007 Volume (Mn TEUs)	2008 est. growth
Inbound	14.5	-7.8%
Outbound	5.9	12.2%

LATIN AMERICA		
	2007 Volume (Mn TEUs)	2008 est. growth
Inbound	1.8	-3.5%
Outbound	2.0	3.3%

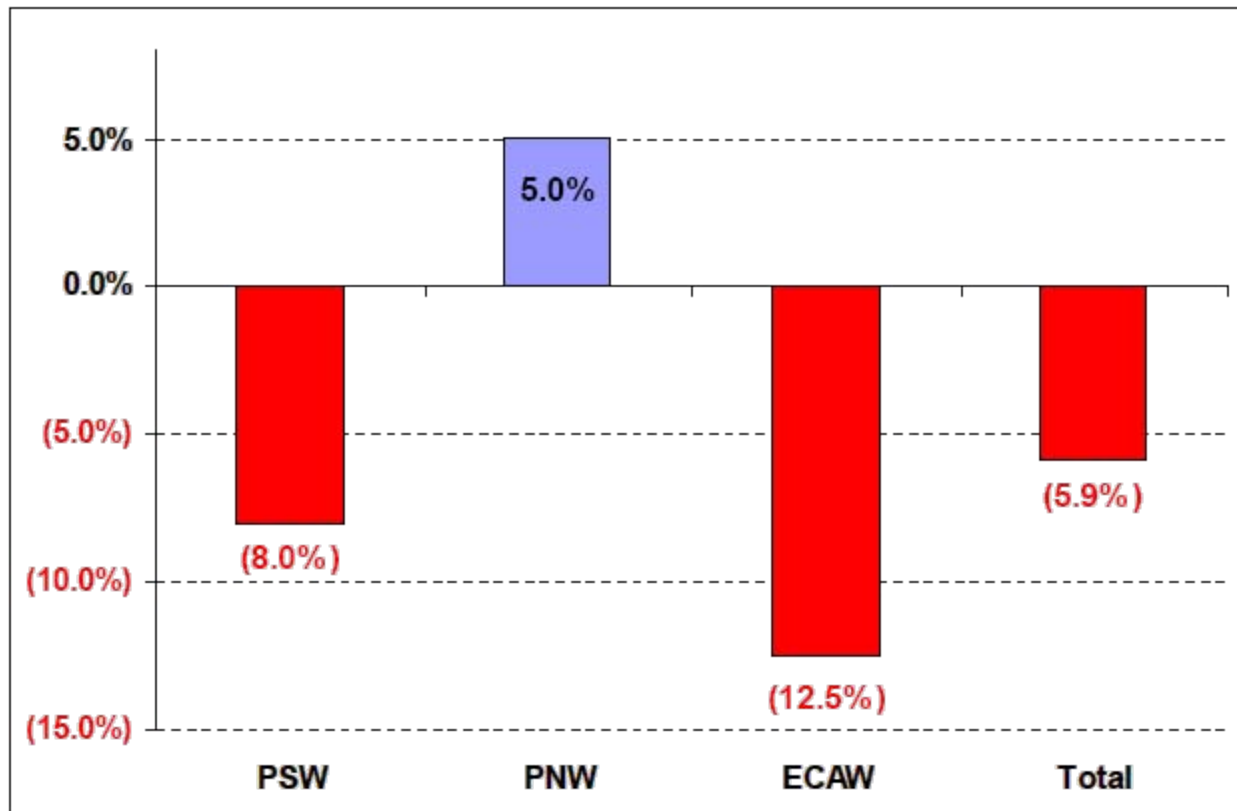


Carrier Management of Capacity

- Winter deployment continues
- Service pull outs and downsizing
- Slow steaming
- Charter return
- Where will the capacity additions be deployed if at all?

TSA Quarterly Capacity Growth (Today Vs. 2007 Peak)

Q1-08 Vs Q3-07



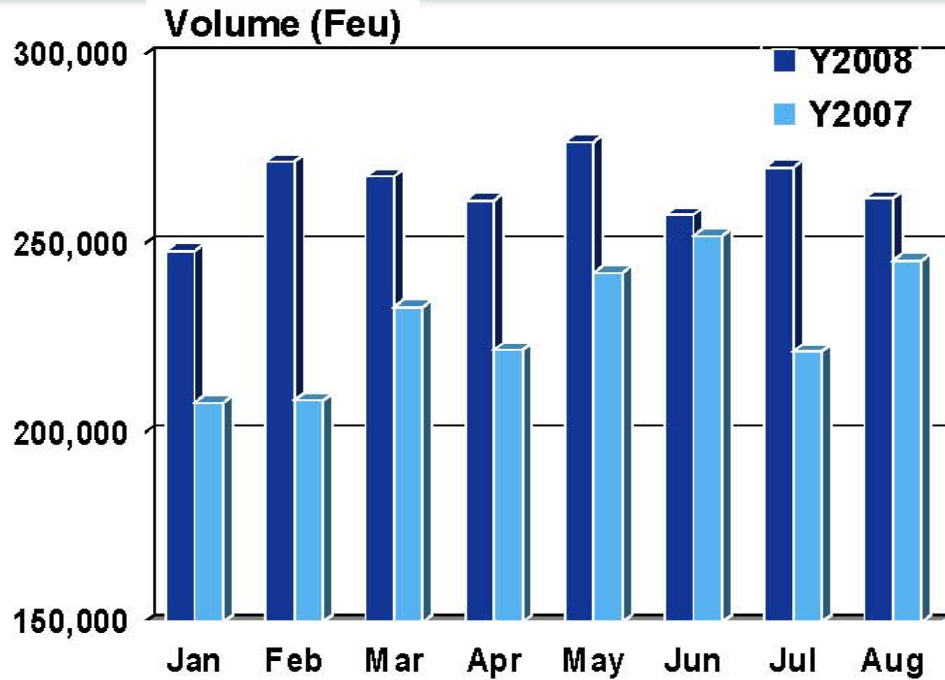
Source: Figures, in TEUS, are submitted by Members

Idle Ocean Container Capacity

- Idle ocean capacity as of mid-January 2009 reached 675,000 teus or 5.5% of the world's container fleet.
- 225 vessels out of work according to AXS-Alpha liner.
- Highest recorded levels in container shipping.



Transpacific Westbound Market Volume



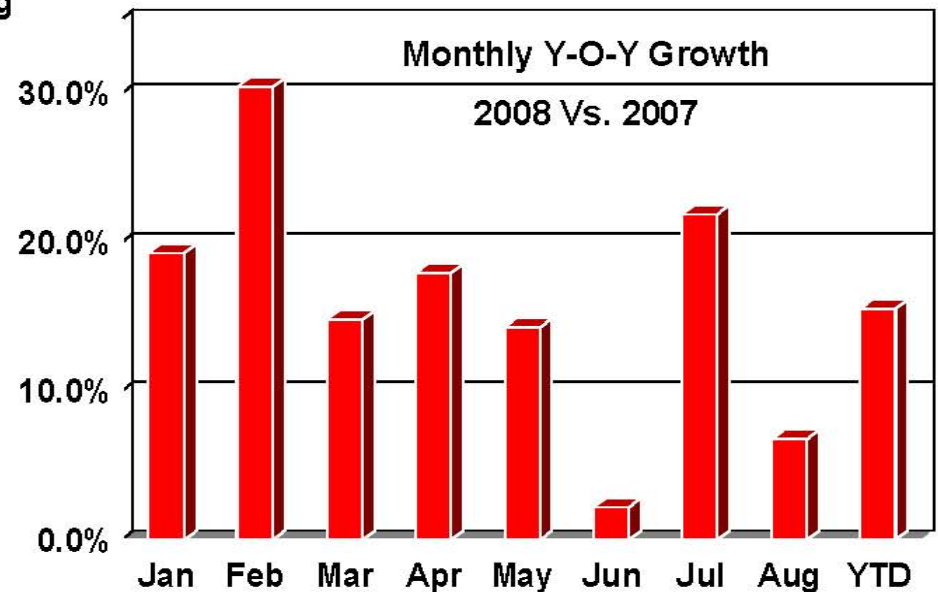
TP Trade, Monthly Y-O-Y Growth

Jan	19.3%
Feb	30.4%
Mar	14.8%
Apr	17.9%
May	14.3%
Jun	2.2%
Jul	21.9%
Aug	6.8%
YTD	15.5%



YTD, West Coast market is 16% up while East Coast market has grown 15%

	West	East
Jan	17.5%	22.8%
Feb	30.7%	29.8%
Mar	16.1%	12.2%
Apr	19.4%	14.9%
May	17.0%	9.1%
Jun	(2.6%)	12.3%
Jul	26.5%	13.6%
Aug	7.6%	5.1%
YTD	16.9%	14.5%



Fundamental changes happening on WB

- **Strengthening US \$ making US exports less competitive**
 - **Boom in bulk shipping that forced rates to record levels has reversed**
 - **Some ocean carriers curtailing their inland network due to substantial increase in truck/ rail costs... inability to price**
 - **Volatile fuel & bunker costs continue to affect domestic re-positioning**
 - **Carriers implementing vessel deployment changes resulting in less capacity**
- 
- **Continued volatility with trends in U.S. export market less clear than six months ago**
 - **Liner industry & customers need to work together to minimize the impact of this situation**

Fundamental changes in compliance

1. Stricter Rules
2. Enforcement of Penalties – Feb 1, 2009
3. EEI must be timely and compliant
 - ✓ Value
 - ✓ Changes in ownership
 - ✓ On-time filing

AES- Rule Defined

Shipper Requirements – File with Census 24 hours prior to loading cargo on the vessel at the U.S. port where the cargo is laden.

-Title 15, Part 30 Foreign Trade Regulations.....US Census Bureau

Carrier Requirements – File Manifest with Census 4 business days **AFTER** vessel sails

-Effective September 30, 2008, US Principle Party in Interest (USPPI) must provide their ocean carrier partners either the ITN provided in response to their AES filing with US Census or written notification of their exemption/exclusion status on an individual Bill of Lading basis.

No Doc No Load- Carrier response to AES

CARRIER	DOC CUT-OFF	PENALTY***	DOC REDO FEE
APL	"24 HOURS PRIOR TO THE PREVAILING PORT CARGO CUTOFF."	\$200.00 ROLLOVER FEE	
COSCO	"NOT LATER THAN 2 WORKING DAYS PRIOR TO VESSEL ARRIVAL AT USA PORTS – EXCLUDING WEEKENDS AND OR HOLIDAYS."	\$200.00 ROLLOVER FEE	\$150.00
EVERGREEN	NO GENERAL POLICY. VARIES BY PORT OF LOADING OFFICE. EVER DOES REFERENCE AES 24 HOURS PRIOR TO VESSEL LOADING.	\$200.00 ROLLOVER FEE	
HANJIN	"NO LATER THAN VESSEL CUT OFF DATE"	\$200.00 ROLLOVER FEE	\$25.00
HYUNDAI	"24 HOURS PRIOR TO CY CUT OFF" (FROM MEMO)	\$200.00 ROLLOVER FEE or \$150.00 PER UNIT CONTAINER SHIFTING/MOUNTING FEE	
HAPAG	"BY NOON, 2 BUSINESS DAYS PRIOR VESSEL'S ARRIVAL."	\$200.00 ROLLOVER FEE	
KLINE	"24-HOURS (SAT/SUN/HOLIDAYS EXCLUDED) PRIOR TO THE CY CUT OFF AT THE PORT OF LOADING."	\$200.00 ROLLOVER FEE	
NYK	ACCORDING TO SCHEDULE. GENERALLY NOON DAY BEFORE PORT CUT OFF. SUBJECT TO CHANGE	\$400.00 ROLLOVER FEE	
OOCL	"NO LATER THAN 24 HOURS (1 BUSINESS DAY) PRIOR TO LOAD PORT CUT OFF."	\$200.00 ROLLOVER FEE	
YANG MING	NO OFFICIAL NO DOC NO LOAD POLICY.	\$200.00 ROLLOVER FEE	

*** Penalty fees are subject to Additional Port Charges (Demurrage, Dray, Relocation) 20

Timeline for Doc Submission

24 Hours Prior to
Port Cut Off

- APL
- Hyundai
- "K" line
- NYK
- OOCL

Vessel Sailing

Port Cut Off

- Hanjin

Cosco – 48 hours prior to vessel arrival

Hapag – Noon, 2 business days prior vessel's arrival

Potential Fines and Penalties for Missing the Doc Cut

Example: 10x40' containers roll due to No Doc No Load

POTENTIAL PENALTIES		TOTALS
ROLLOVER FEE:	\$200 x 1 B/L	\$200
5 DAYS FREE DETENTION:	\$150 x 2 DAYS x 10 CONTAINERS	\$3000
5 DAYS FREE DEMURRAGE:	\$175 x 2 DAYS x 10 CONTAINERS	\$3500
REPOSITION/DRAY FEE:	\$100 x 10 CONTAINERS	\$1000
DUMMY FEE:	???	\$0
TOTAL:		\$7700



Current No Doc No Load Policies Require Exporters to File DUMMY Information

1. Shipper/forwarder cannot give accurate container numbers and seal numbers when the container has not even been dispatched for the booking. IPI bookings, OCP bookings – no issue, but what about transloaded port cargo, port to port cargo, reefer/perishable products?????
2. It is impossible to know which containers made the booking when exporters are working from carrier vessel cutoffs, and are forced to have a doc cut days before the vessel cuts.
3. Current NDNL policies require double and triple the work –
Why not create guidelines that make sense for everyone?

What does the future of ocean shipping hold for US Ag exporters?

- Enforced compliance rules
- Continued volatility – need for exporter flexibility
- Continued Carrier manipulation of capacity
- Inland equipment issues
- Potential acquisitions, mergers, bankruptcies?

Thank You!