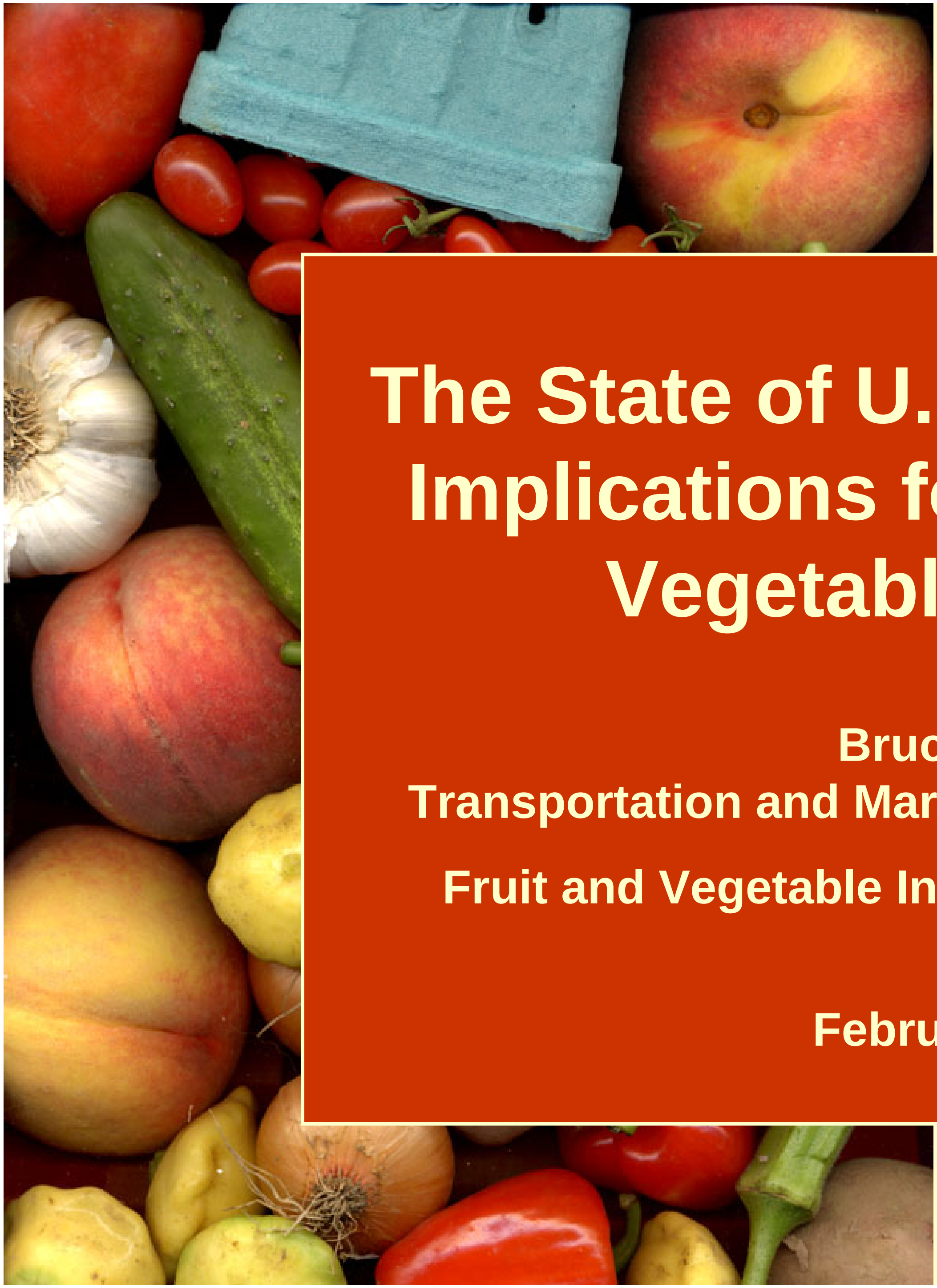


The State of U.S. Transportation: Implications for the U.S Fruit & Vegetable Industries

Bruce Blanton
Transportation and Marketing Programs, USDA AMS

Fruit and Vegetable Industry Advisory Committee

February 8, 2008

Overview

- About TSB
- F&V Production, Exports & Imports
- Transportation Network Maps
- Transportation Issues
- Conclusions
- Q&A; Dialog with Members

Transportation Services Branch (TSB)

USDA's Agricultural Marketing Service

- Our mission/vision is to provide insightful transportation information and analysis to help agricultural shippers move products to market.
- We inform, represent, and assist agricultural shippers and government policymakers through:

Market Reports	Economic Analysis
Regulatory Representation	Technical Assistance
Responding to Inquiries	Stakeholder Outreach

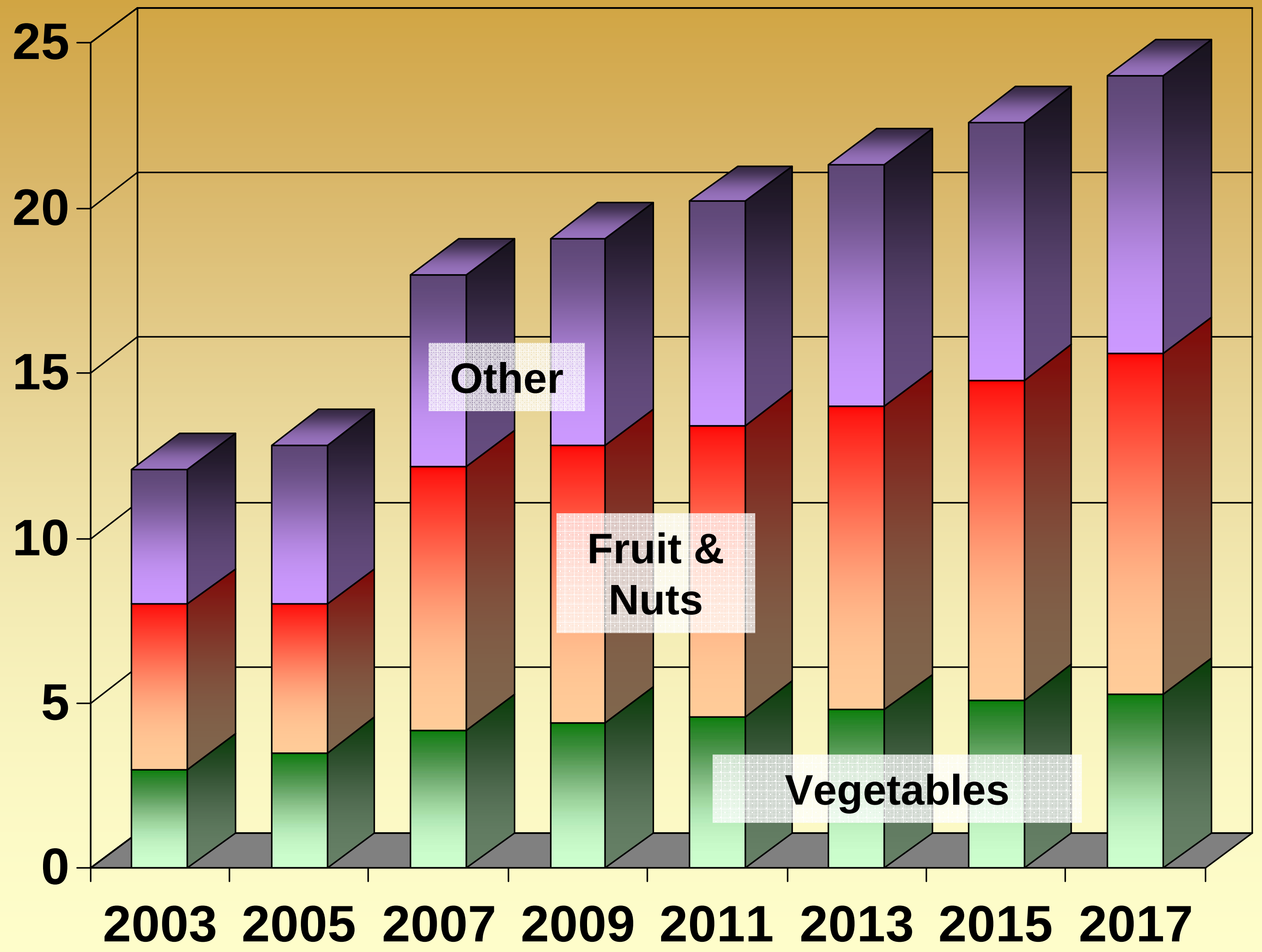
Projected U.S. Production of Vegetables, Fruits, and Tree Nuts 2003-17

(in Billion Pounds)

Crop Group	2003	2005	2007	2009	2011	2013	2015	2017
Vegetables	132.2	132.8	138.7	139.3	142.0	144.8	147.7	150.6
Fruit & Nuts	73.3	68.8	64.6	70.1	72.0	74.1	76.1	77.8
Total	**205.9**	**201.9**	**203.6**	**209.7**	**214.3**	**219.2**	**224.0**	**228.7**

Source: Vegetables and Melons Outlook/VGS0324/December 18, 2007
Economic Research Service, USDA

Projected Horticultural Exports 2003-17
(in Billion Dollars)



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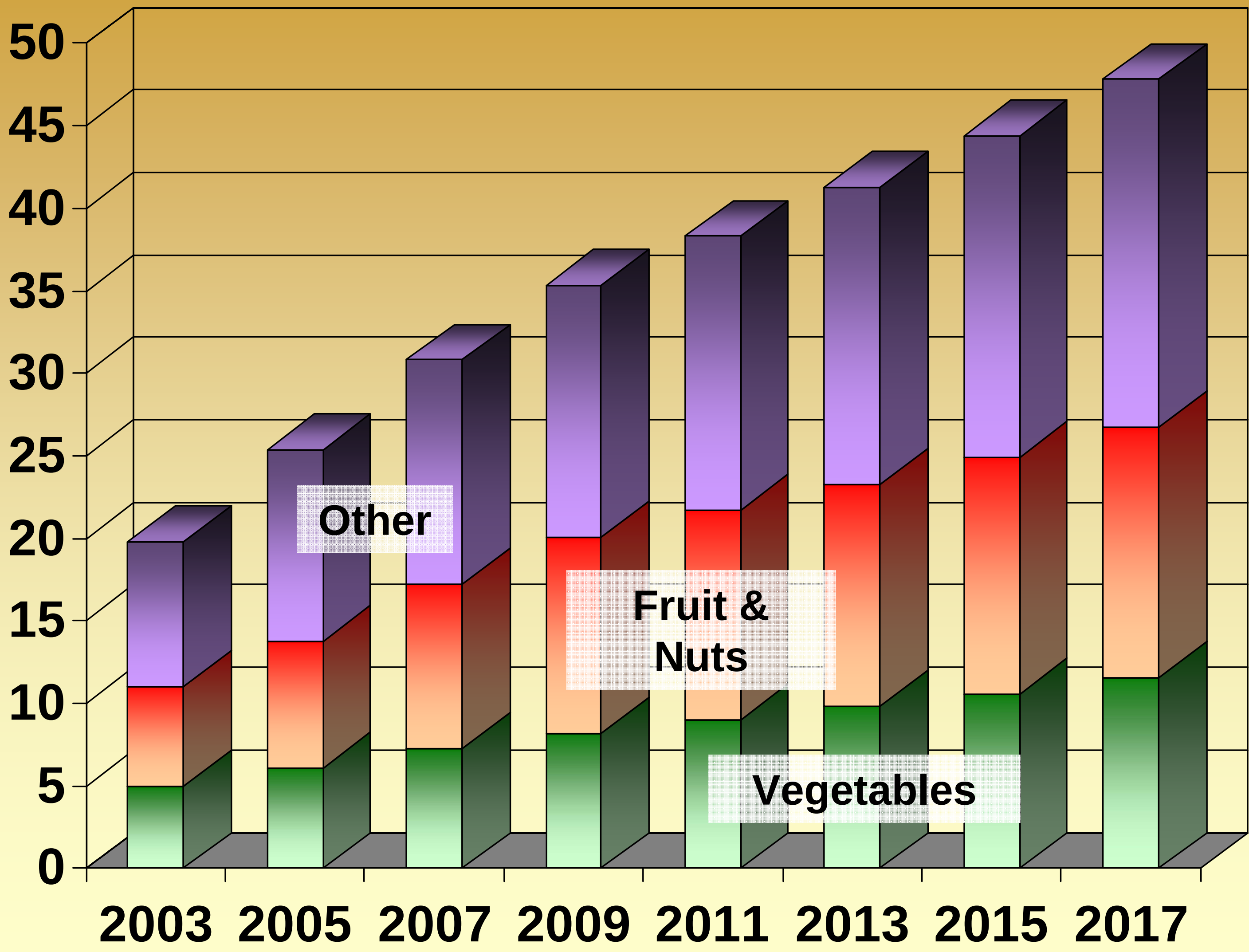
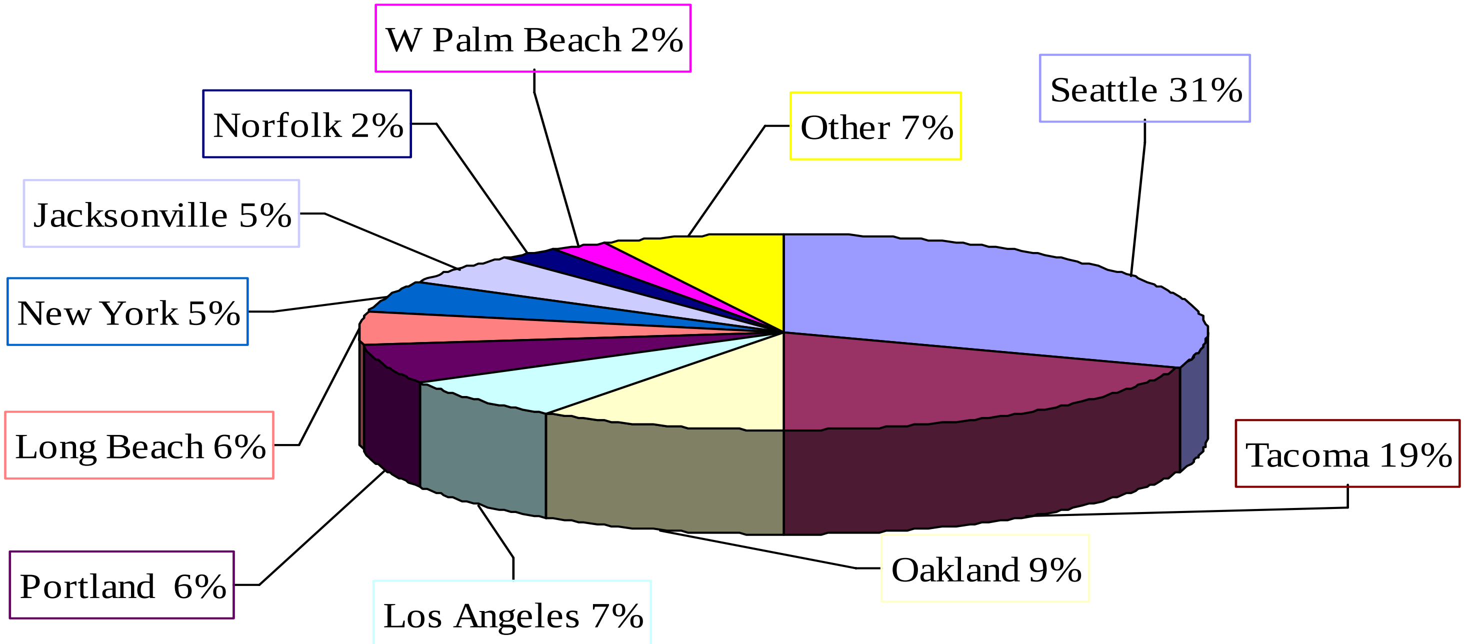


Top 10 U.S. Ports, Fresh Vegetable Exports Jan-Oct 2007 (PIERS)



Source: Port Import Export Reporting Service

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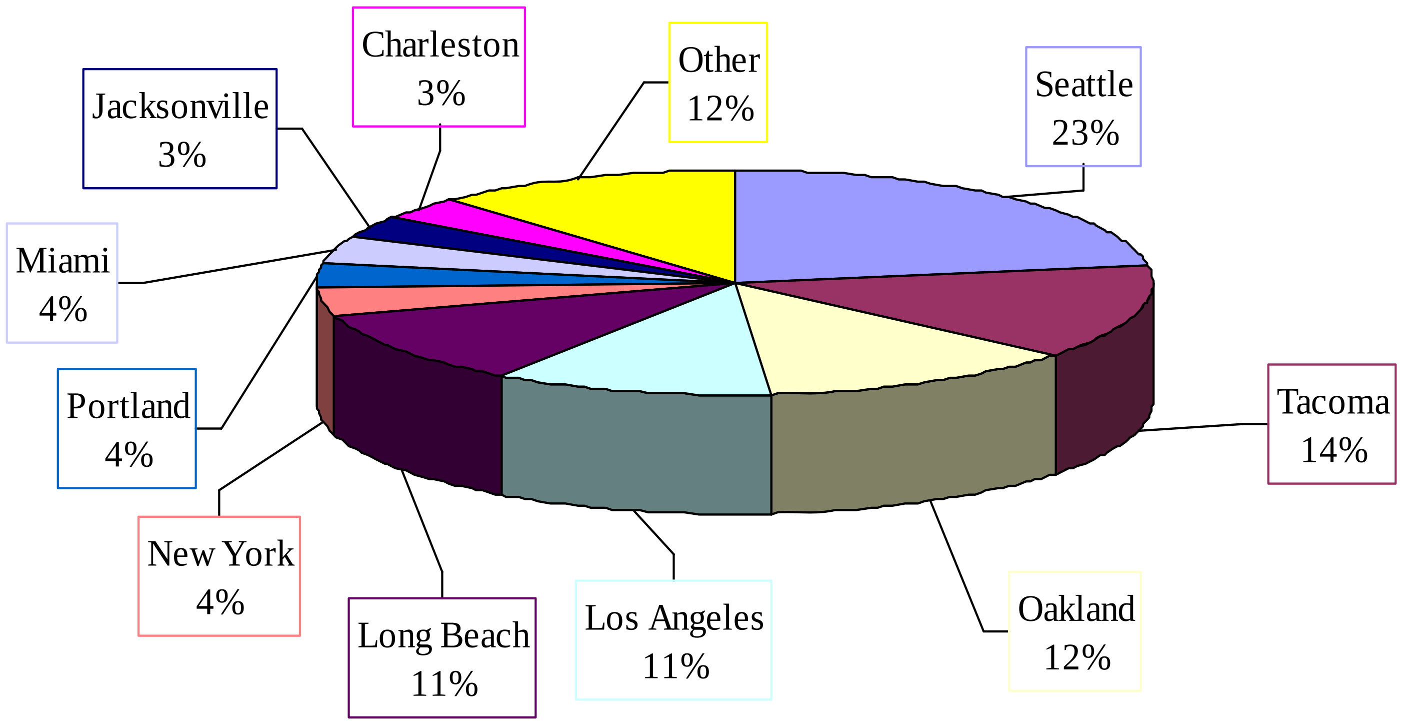


Source: Port Import Export Reporting Service

Trade and Transportation Outlook FY 2008

- **Fresh fruit and vegetables**
  - **exports – $4.9 billion**
  - **imports – $10.4 billion**
- **Processed fruit and vegetables**
  - **exports – $4.5 billion**
  - **imports – $7.4 billion**
- **Tree nuts**
  - **exports – $3.0 billion**
  - **imports – $1.2 billion**

Source: Outlook for U.S. Agricultural Trade AES-56, November 30, 2007

Trade and Transportation Outlook FY 2008

- Citrus exports – $690 million
  - 2.2 million ton California orange crop
- Continued strong demand for apples
  - values expected to remain high
- Strong dried fruit exports to Europe
- Frozen vegetable sales should rise to major markets

Source: Outlook for U.S. Agricultural Trade AES-56, November 30, 2007

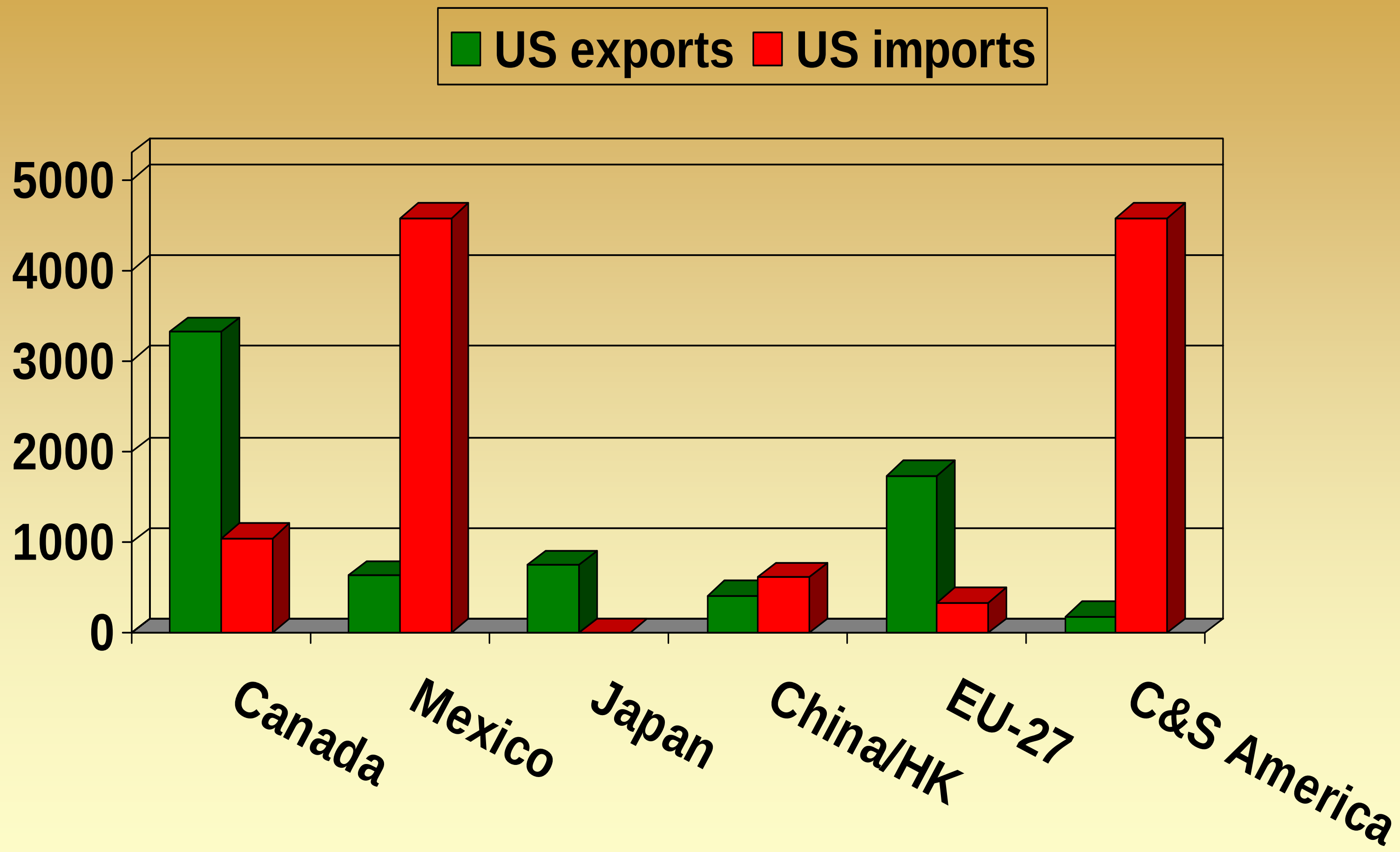
Trade and Transportation Outlook FY 2008

- Fruit juice exports – $1 billion
  - Imports – $2 billion
- Increased imports of apple juice from China
- Florida orange crop – 7.6 million tons
  - reduced juice imports from Brazil, Mexico
- Fresh fruit and vegetable imports from Mexico expected to increase by $400 million
- Record almond crop expected

Source: Outlook for U.S. Agricultural Trade, AES-56, November 30, 2007

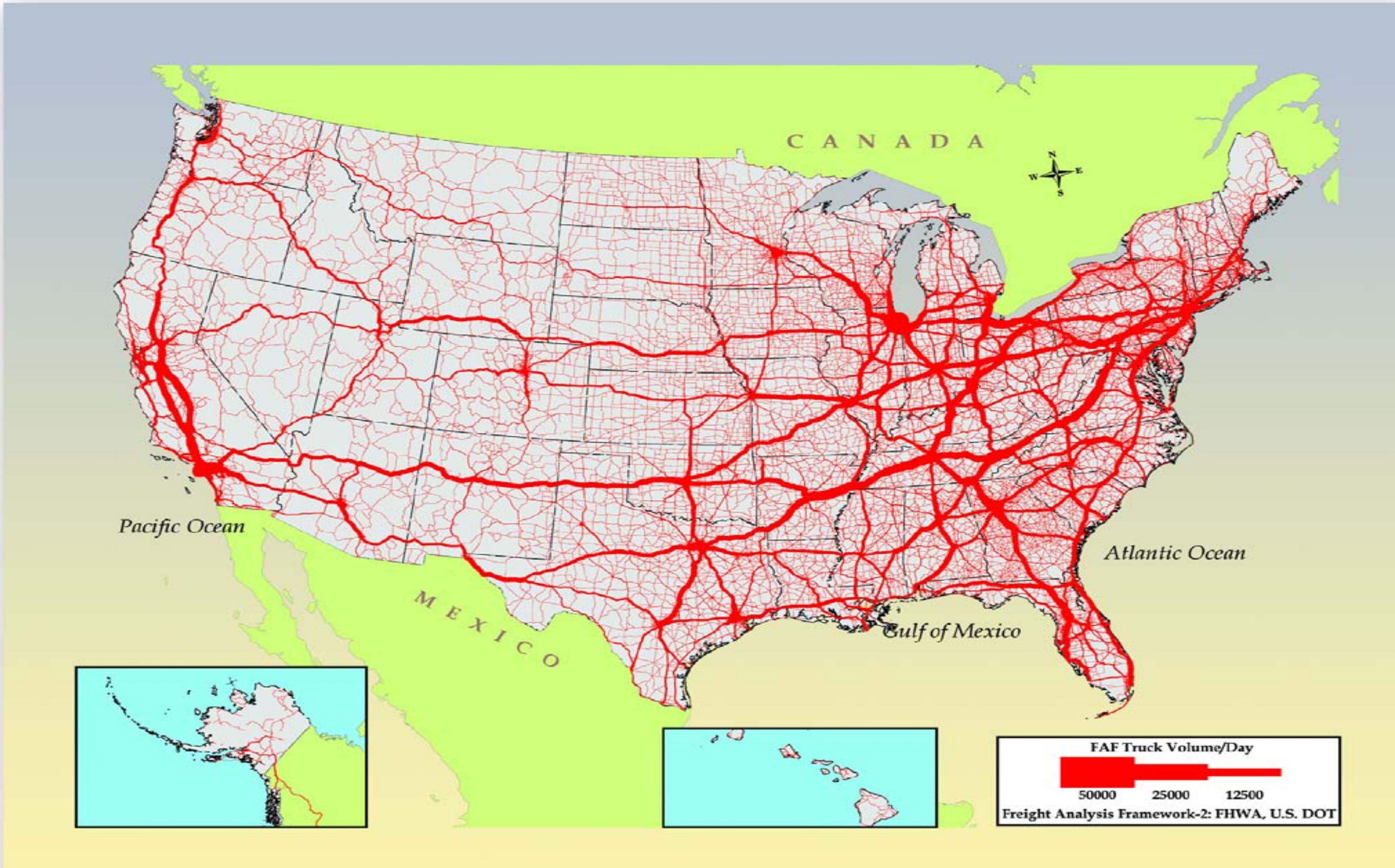
Top F&V Trading Partners in FY 2007

(In Millions of Dollars)



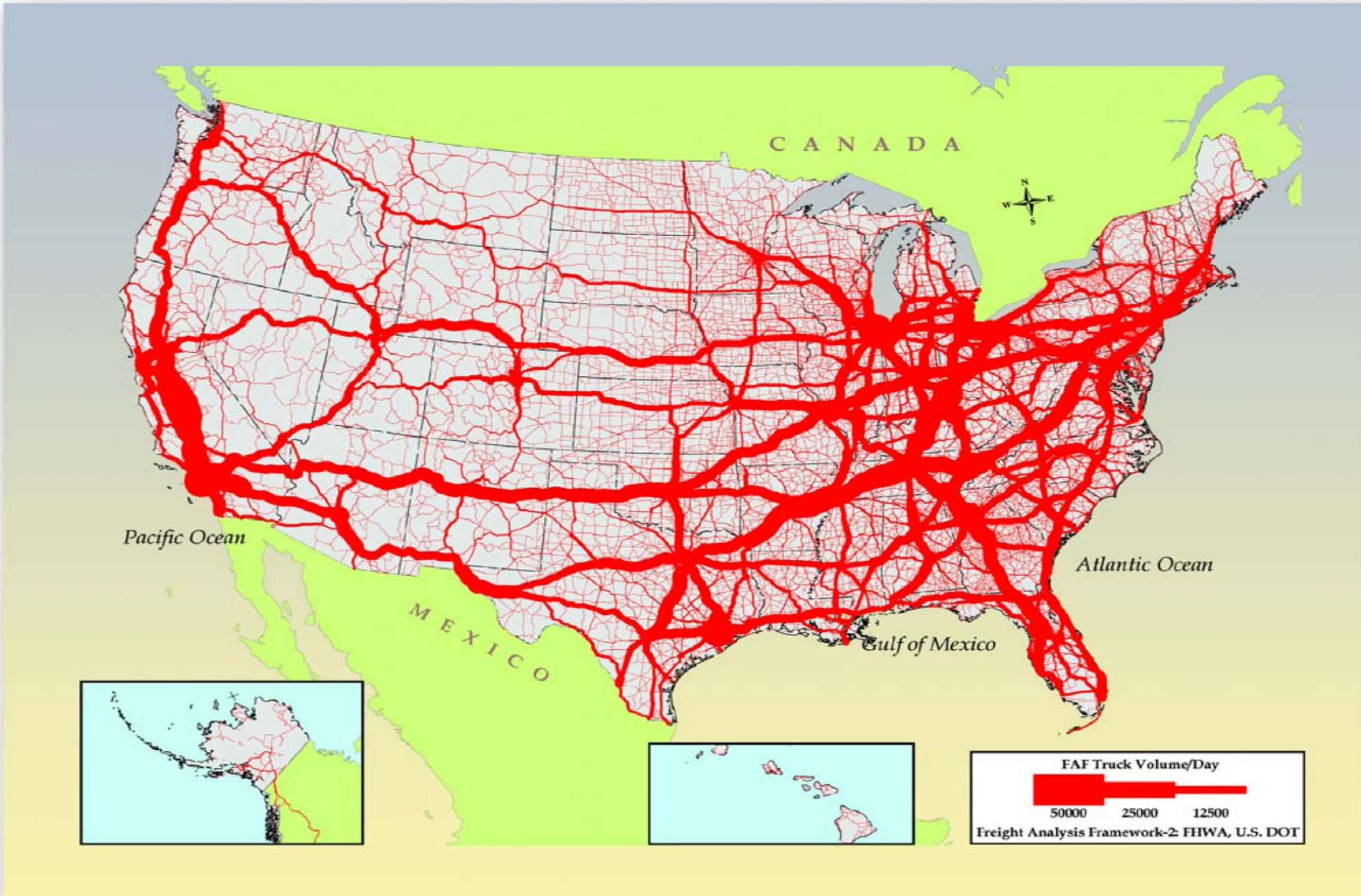
Source: U.S. Bureau of the Census Trade Data; Analysis by Commodity and Marketing Programs, FAS, USDA

Estimated Average Daily Long-Haul Truck Traffic on the National Highway System in 2002



Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations, Freight Analysis Framework, Version 2.2, 2007

Estimated Average Daily Long-haul Truck Traffic on the National Highway System in 2035



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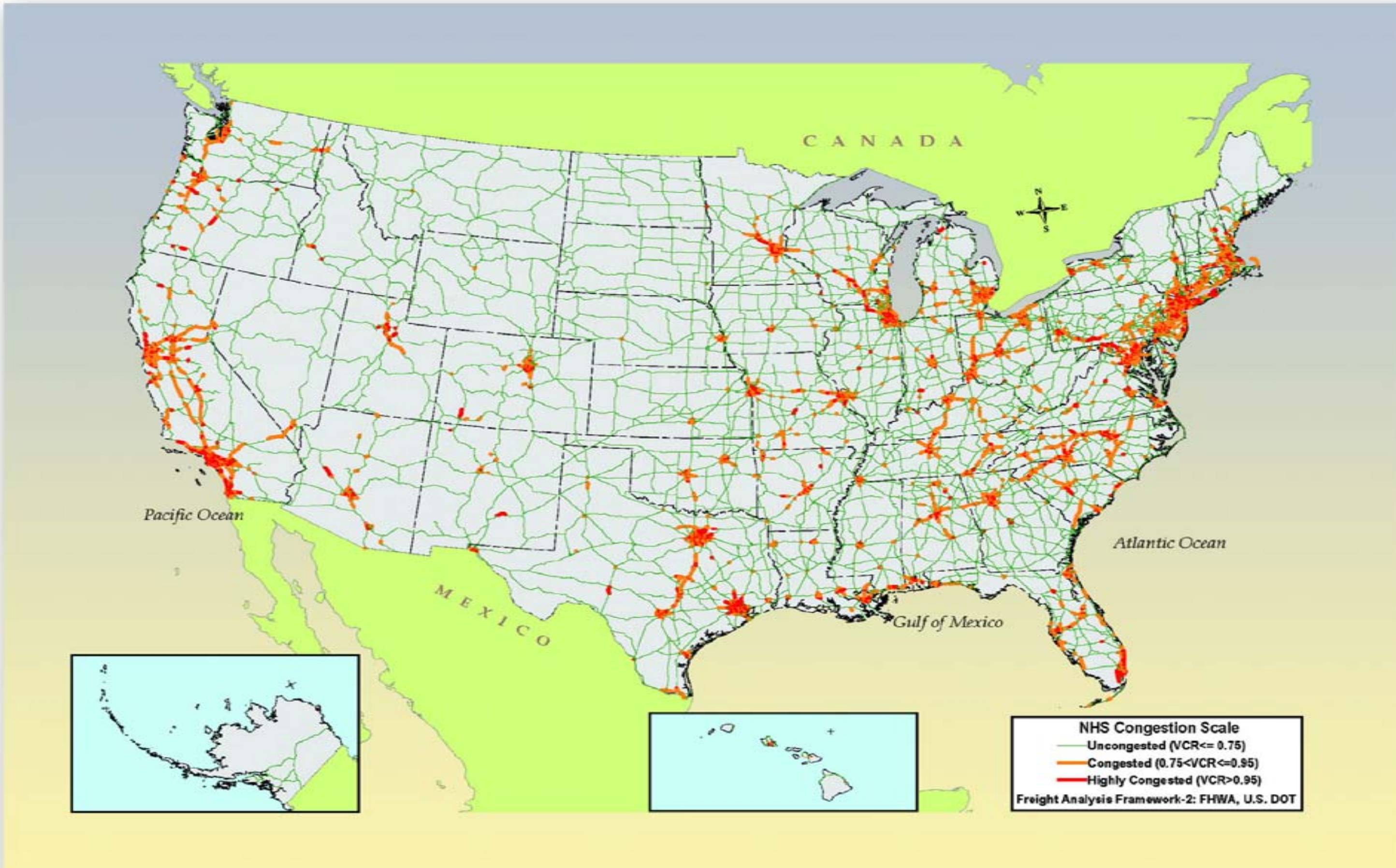
Peak-Period Congestion on the National Highway System in 2002



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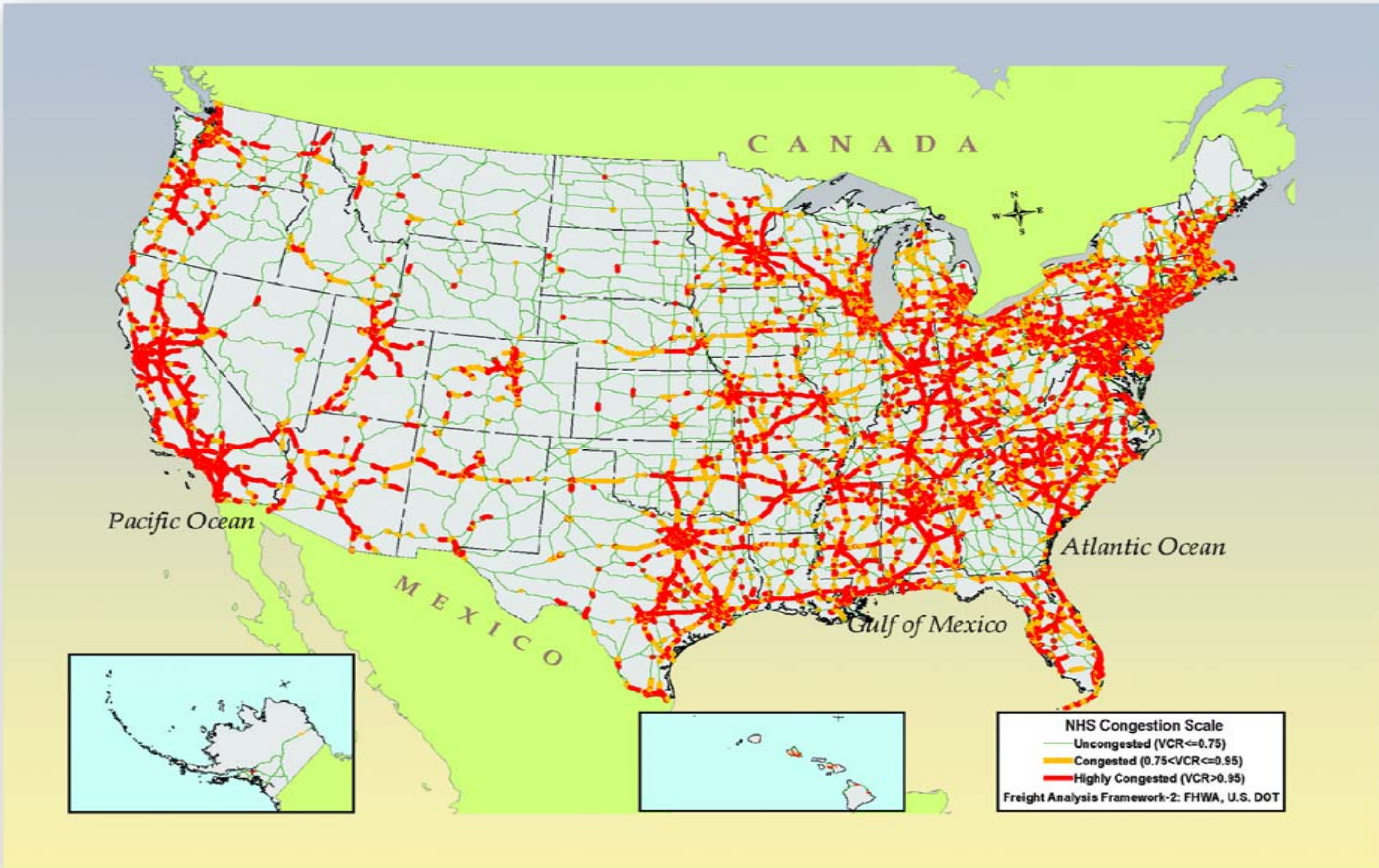
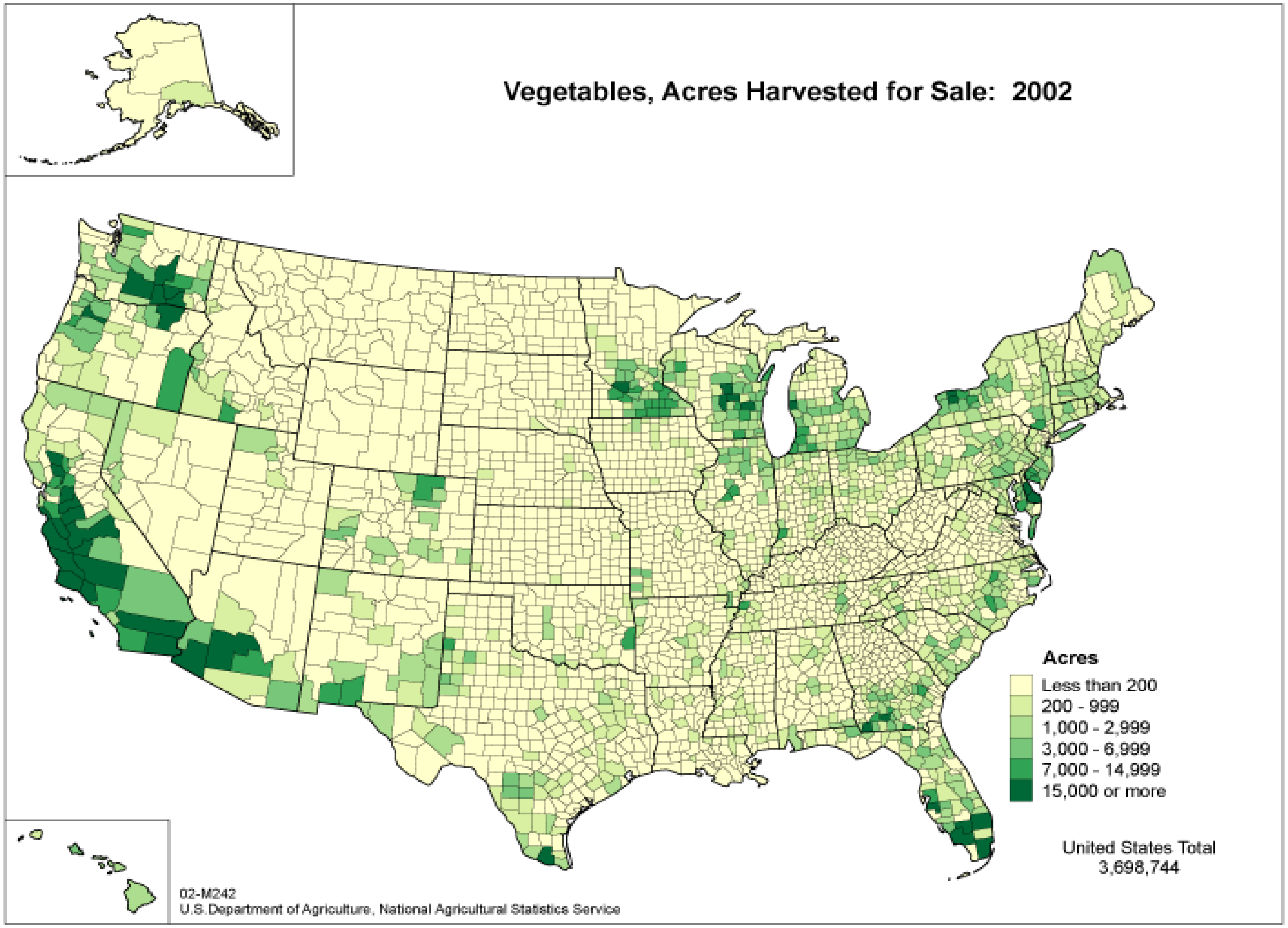
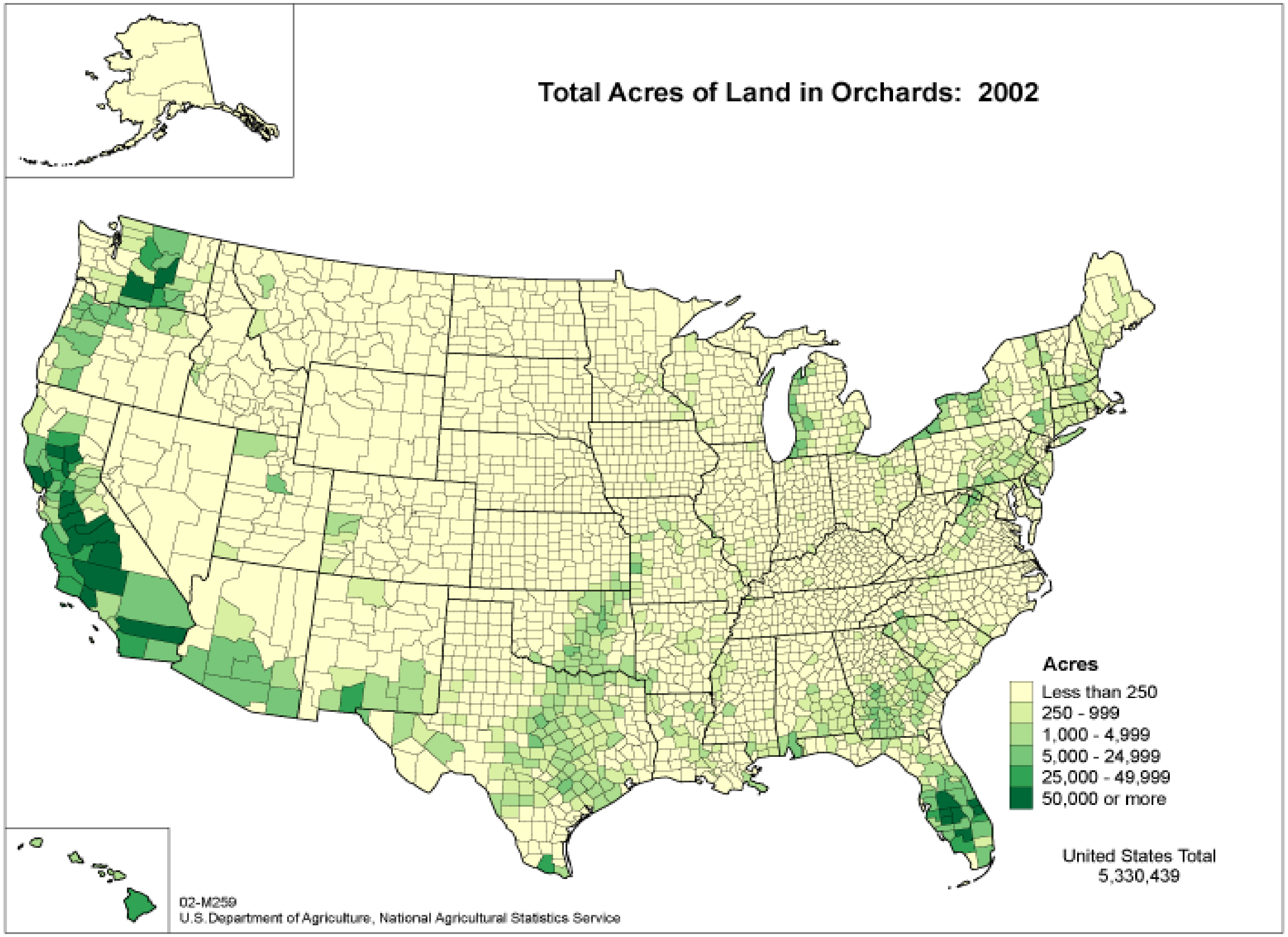


Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations, Freight Analysis Framework, Version 2.2, 2007

Vegetable Harvested Acres, 2002



U.S. Land in Orchards, 2002



“Ballpark” Illustration of Relative Annual Number of Truckloads

- All Freight = 10.7 Billion Tons in 2006 *
  - Assuming average of 20 tons per load, estimated equivalent number of truckloads ≈ 535 million
- Grain = 190 Million Tons in 2004 **
  - Assuming 26 tons per load, estimated number of truckloads ≈ 7.3 million
- Total F&V Production = 203.6 Billion Pounds in 2007 ***
  - Assuming 40,000 pounds per load, estimated equivalent number of truckloads ≈ 5 million

Note: Assumptions provided for illustration purposes only as rough idea of relative magnitudes; not intended for use as an actual estimate

* Source of Tonnage Figure: 2007-2008 American Trucking Trends, ATA

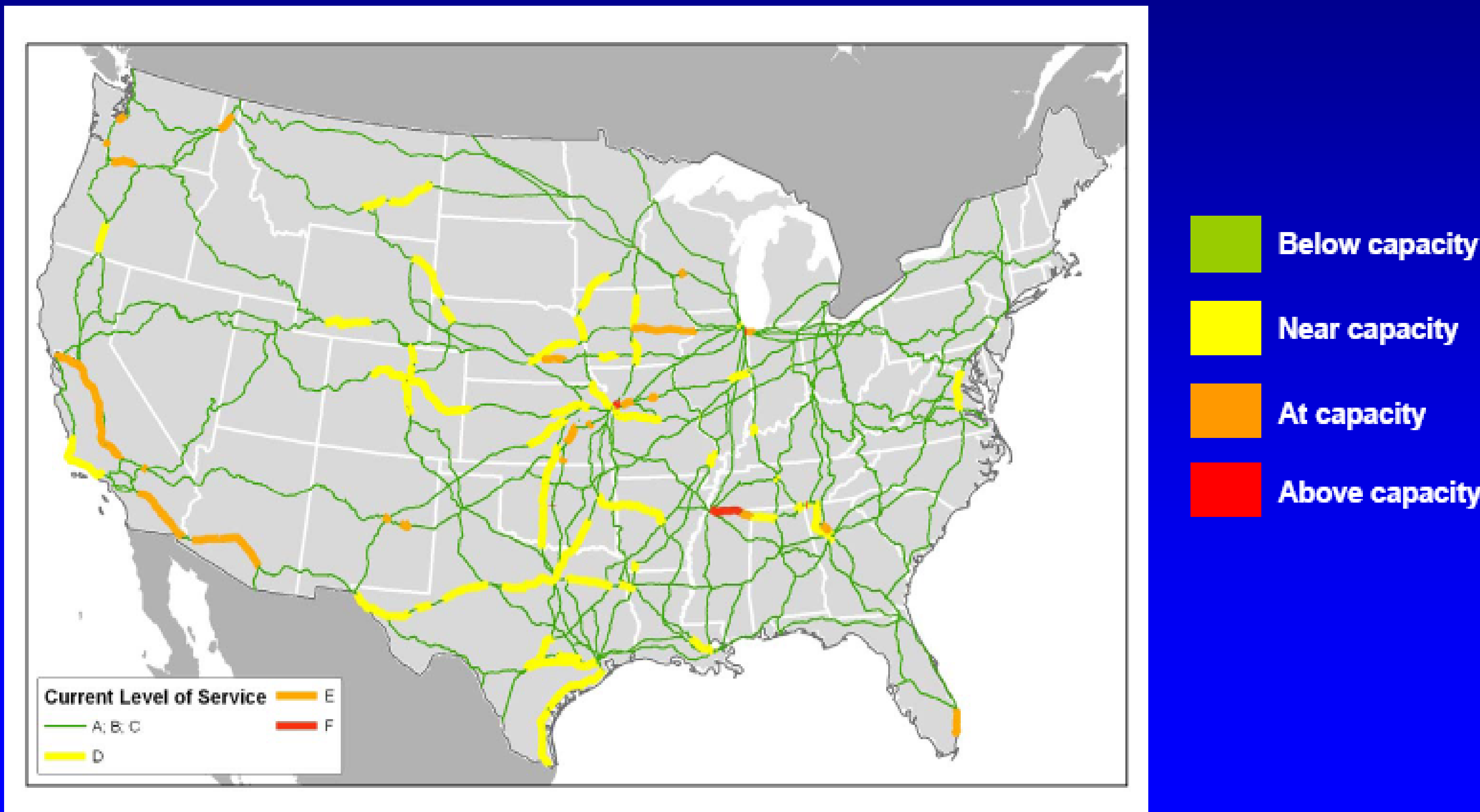
** Source: Transportation of U.S. Grains – A Modal Share Analysis, 1978-2004, Oct. 2006, AMS

*** Source of Tonnage Figure: Vegetables and Melons Outlook,VGS0324/12-18-07, ERS

F&V Modal Share?

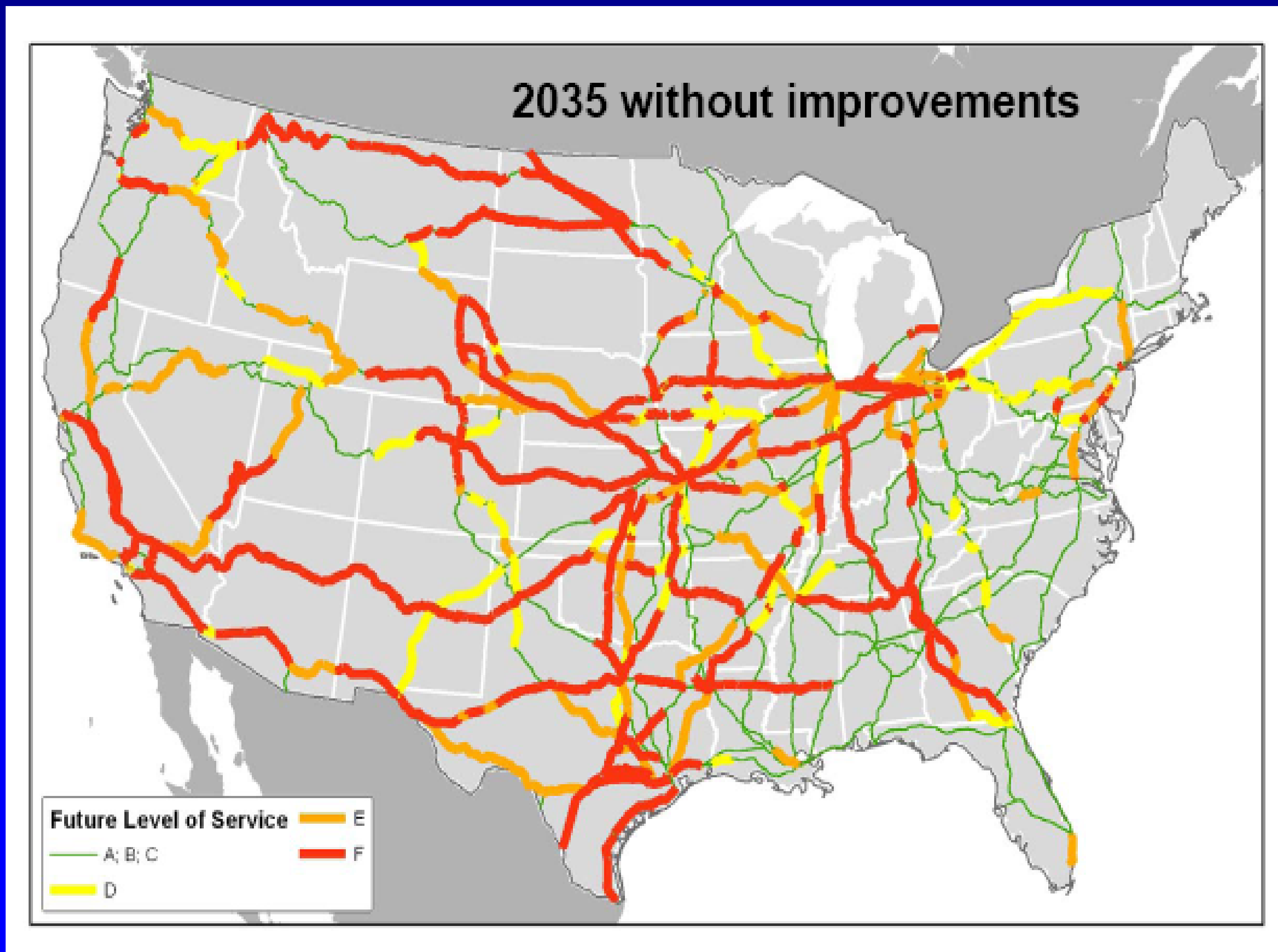
- Almost entirely by truck – perhaps greater than 95 percent (exact level is unknown)
- A small amount of F&V's are shipped by refrigerated railcars and piggyback trailers or containers – 1.429 billion pounds reported in 2007
- An even smaller amount are shipped by air cargo
- We do not have complete data available to calculate the modal share

Overall Rail Volumes Compared to Capacity in 2005



Source: http://www.aar.org/PubCommon/Documents/natl_freight_capacity_study.pdf

AAR Estimated Future Volumes – Needed Investment = $148 billion over 28 years



Below capacity

Near capacity

At capacity

Above capacity

Freight Projections are Pre-Ethanol!

- Truck freight is forecast to almost double from 2002 to 2020
  - while driver shortages are projected to reach 111,000 by 2014
  - calculated before ethanol production expansion
- Rail freight is forecast to increase from 1,879 million tons in 2002 to 3,525 million tons by 2035
  - an increase of nearly 88 percent
  - calculated before ethanol production expansion

Freight Forecast Source: U.S. DOT – Freight Analysis Framework, 2002 and 2006; Driver Shortage Source: Global Insight, Inc., May 2005

Rail Transportation Issues

- Closing of intermodal ramps in rural areas
  - Ocean and rail carrier consolidation
  - focus on higher value imports
  - Shippers must pay more to have containers delivered by truck over longer distances
- Various media periodically report on railcar and intermodal alternatives
- Shipments are reported by AMS Market News Service
- Diesel fuel costs & surcharges have challenged growers, shippers, carriers, independent drivers, and receivers

Rail Transportation Services

Railex	4 weekly 55-car unit trains between Wallula, WA and Rotterdam, NY – 5 day transit time
Union Pacific	3,500 50-ft & 1,600 64-ft railcars, including the Railex, Express Lane, and produce transload programs
WA Produce Rail Car Pool	up to 50 50-ft railcars
Alliance Shippers	1,360 53-ft and 48-ft trailers
Cryo-Trans	875 64-ft and 72-ft railcars
BNSF	1,000 50-ft, 1,000 72-ft railcars, with partnerships with intermodal marketing companies
Tropicana	514 railcars, available for backhauls

Transportation Issues – Labor Negotiations

- International Longshore and Warehouse Union contract expires July 2008 – negotiations to start soon
- Los Angeles/Long Beach Port Lockout, 2002
- Major disruptions of shipments in October, backlog continued through December
- Lost sales for U.S. farmers – loss of product or decreased quality of perishable products left on the docks, increased storage costs
- Estimated loss of $500 million per week for U.S. agricultural exports

ATRI's Top 10 List of Critical Issues in the Trucking Industry - 2007

1. Hours-of-Service
2. Driver Shortage
3. Fuel Issues
4. Congestion
5. Government Regulation
6. Tolls/Highway Funding
7. Tort Reform/Legal Issues
8. Driver Training/Education
9. Environmental Issues
10. On-Board Truck Technology

Source: American Transportation Research Institute

Truck Transportation Issues

- **Truck Availability**
  - **AMS's Weekly *Fruit and Vegetable Truck Rate Report* lists recurring shortages & surpluses of trucks for a variety of commodities and regions**
- **Driver Issues**
  - **Overall freight traffic has declined in 2007 (economy)**
  - **Concerns about Driver shortages, Hours of service, and a reduced number of refrigerated trailers remain**
- **Comments on the interim final rule on allowing an 11th hour of driving and a 34-hour rest period to restart the work week are due on Feb. 15**

Link to Truck Rate Report: http://www.ams.usda.gov/fv/mncs/truck.pdf

Truck Transportation Issues

- **Driver Issues**
  - **Shortages**
  - **Delays in loading & unloading**
  - **Compensation & respect**
- **Industry efforts to make produce a "load of choice" – PMA *Truck Transportation Best Practices for the Produce Industry***
- **DRC *Transportation Standards – updated August 2007***
- **TCA *Voluntary Guide to Good Business Practices for Shippers, Receivers, Carriers and Drivers***

Truck Transportation Issues

- Availability of refrigerated trucks
  - California & CA Port regulations to reduce diesel emissions may affect the cost and availability
- Costs of retrofits to reduce emissions
  - Older truck tractors, mechanical refrigeration units, and auxiliary power units for idling are to be phased out, or retrofitted, or replaced at great cost over the next 7 years
- Requirements may catch on elsewhere
  - The Ports of Seattle and Tacoma, 14 other states are interested in implementing similar diesel emissions and idling regulations
- EPA waivers from the Clean Air Act are required

Truck Transportation Issues

- Port truck drivers must obtain a Transportation Worker Identification Credential (TWIC) in 2008 to access secure areas in the ports

- As of January 22, 2008:
  - nearly 59,000 workers are enrolled in the program
  - nearly 123,000 workers are pre-enrolled
  - more than 26,000 cards have been printed
  - almost 13,000 cards have been activated

- The Transportation Security Administration estimates 1 million individuals will need a TWIC card to access secure marine facilities and vessels after September 25, 2008

Conclusions

- F&V production, exports and imports are projected to increase steadily into 2017
- All modes are currently close if not at capacity
- Without changes, congestion is expected to worsen and cause increasing problems into 2035
- National & global influences greater than F&V industry are at play and will influence infrastructure decisions
- There is <u>no</u> shortage of regulatory issues facing trucks; there can be spillover issues for transporting F&Vs
- Increasing challenges require greater communication and collaboration for creative solutions (e.g. shippers & carriers, between modes, etc.)

Input from the F&V Advisory Committee

Q: *What issues or focus areas in transportation would be most helpful to F&V industries?*

- **Potential new areas for transportation related research for F&V?**
  - **e.g. past coop agreement with UC-Davis on perishable products transport?**
- **Areas of heightened focus?**
- **Enhanced reporting in existing reports (e.g. RTQ)?**
- **New reporting?**

Thank You!

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