

Capacity Tightening as Busy Season Approaches

The articles below pretty much say it all. June usually marks the beginning of the busy season in the flatbed world - if history repeats itself both carriers and shippers will really feel the impact of the driver/truck shortage along with stronger business output.

Market Conditions Worsen for Shippers, Index Shows Truck capacity, costs creating 'difficult' environment for shippers, FTR says

Journal of Commerce
5/13/11

Market conditions are worsening for U.S. shippers as truck capacity tightens and fuel prices and surcharges rise, an index released by FTR Associates shows.

The FTR Shippers' Condition Index dropped 48 percent from minus-7.7 in February to minus-11.4 in March. Any index number below zero is unfavorable to shippers.

Not surprisingly, FTR's **Trucking Conditions Index has been rising**, climbing 34 percent in the same period to 13.30, the Nashville, Ind.-based company said.

Any reading above zero indicates an "adequate" environment for truckers, FTR said, and a reading above 10 signals prices, volumes and margins are "in a good range."

Normal seasonal weakness early in the first quarter obscured the shifting supply and demand balance in trucking, said Eric Starks, president of FTR.

"Now that we are moving into the higher freight months, the dimensions of the capacity situation are beginning to come into sharper focus," Starks said.

Slower economic growth should stabilize the shipper index and even lead to some modest improvement, said Larry Gross, senior consultant for FTR.

"Such improvement would not, however, change our basic outlook for a difficult environment for shippers through the end of this year and well beyond," he said.

Truckload Capacity Seen Tightening Four-week slide in barometer index ends, capacity 17 percent tighter than year ago

Transport Topics
5/10/11

The weekly Longbow Research Truckload Barometer increased 1.3 percent last week, ending a month-long drop in April, indicating tighter **availability of trucks in parts of the U.S.**, the investment research firm said Tuesday.

The barometer was up 46 percent year-over-year April 11 and is now up 17 percent from a year ago, indicating that demand and supply are closer to equilibrium.

The weekly index measures available freight against available truckload equipment, climbing higher as capacity contracts, the Wall Street investment firm said.

Longbow and other research firms forecast increasingly tight truck capacity thanks to higher equipment costs, fuel costs, driver costs and financing costs.

The weekly index showed capacity was tightest in the Northeastern states of New York, Pennsylvania and New Jersey, followed by the Central South and Southeast.

Seasonal produce shipping demand is likely constricting capacity in some of those areas. That demand may tighten capacity in the Midwest later in the season.

Abrupt Capacity Shortage Threatens Trucking, Celadon's Chief Warns Annual ALK Summit

Transport Topics

5/9/11

There **could be an "instantaneous capacity shortage" in the United States this year or next because of a "perfect storm" fed by an aging, shrinking truck fleet and a lack of good drivers**, said Paul Will, president and chief operating officer of Celadon Group.

The convergence of these economic storm fronts will **"result in the tightest transportation market we've seen,"** Will said May 4 in a keynote address at ALK Technologies' annual summit.

Will cited an expected tightening in the driver workforce, exacerbated by the introduction of the federal Compliance, Safety, Accountability rating program late last year, and a U.S. truck fleet that is close to 6.7 years in age.

Moreover, Will said, only large fleets appear to be buying trucks, and those carriers' shopping lists are limited because truck makers appear to have a kink in their supply chain. OEMs "can't ramp up production because they can't get their suppliers to ramp up," Will said. "We see that when we buy trucks and trailers."

Fuel costs have soared in the past six months, and Will said that some small truckers have found themselves forced to use credit lines to fund working capital needs - thus preventing them from using their credit toward buying new trucks.

One smaller fleet operator who attended the ALK show said that the perception that small- and medium-size fleets were older than large fleets wasn't exactly correct.

"There's a misconception about what small- and midsize fleets are doing," said Michael Krohn, chief operating officer of L.J. Kennedy Trucking, Kearny, N.J.

Krohn said that his fleet recently had sold off its oldest trucks, which made the fleet younger, on average. However, he acknowledged that the company has not yet bought any replacement trucks. That replacement will happen in a few years, he said, when L.J. Kennedy will "bite the bullet and just do it."

Both truck sales and tonnage have been on an upward curve for more than a year as the U.S. economy rebounded from the trough of the recession and began clawing back toward something resembling normal.

However, rising commodity prices, which affect trucking by raising the prices of refined fuel and truck and trailer components, soon could begin cramping the economy.

Fuel, in particular, threatens trucking on two fronts: Expensive diesel increases the cost of running trucks, and pricier gasoline stretches consumers' finances, cutting into their spending on the consumer goods that trucks haul, Will said at the ALK summit.

So far, the fuel threat hasn't beaten back consumer spending. The official gauge from the U.S. Commerce Department revealed a 0.6% jump in consumer spending in March, the latest month for which data are available.

However, one business indicator last week revealed caution in U.S. industry.

The Institute for Supply Management monthly services index fell to 52.8 in March from 57.3 in February. Readings above 50 mean the service sector is growing, but the month-to-month drop means that the growth is slowing.

Will said that some anecdotal evidence suggests the manufacturing sector, which has given impetus to the U.S. economic recovery, is also jittery.

"We had a load [on a truck] that was just legs [for] the bottom of couches," Will said. The load "had to go to California, [but] it was rerouted. It ended up getting there on time, but the manufacturer said it was going to shut the plant down" instead of rush-order a new set of couch legs if Celadon's truck didn't arrive on time.

May 31, 2011

"It tells me that no one wants to have extra inventory," Will said. Manufacturers want to minimize the inventory they carry and become especially sensitive to bloated inventories when order levels are tenuous, he explained.



Dan Taylor
Senior Vice President - Sales & Marketing
Melton Truck Lines, Inc.
918-234-8000 x600
taylor@meltontruck.com



Melton
Truck Lines, Inc.

www.meltontruck.com