

A Supply Chain in Chaos

Losses in Profits, Reliability, and Trade Opportunities

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Perspective



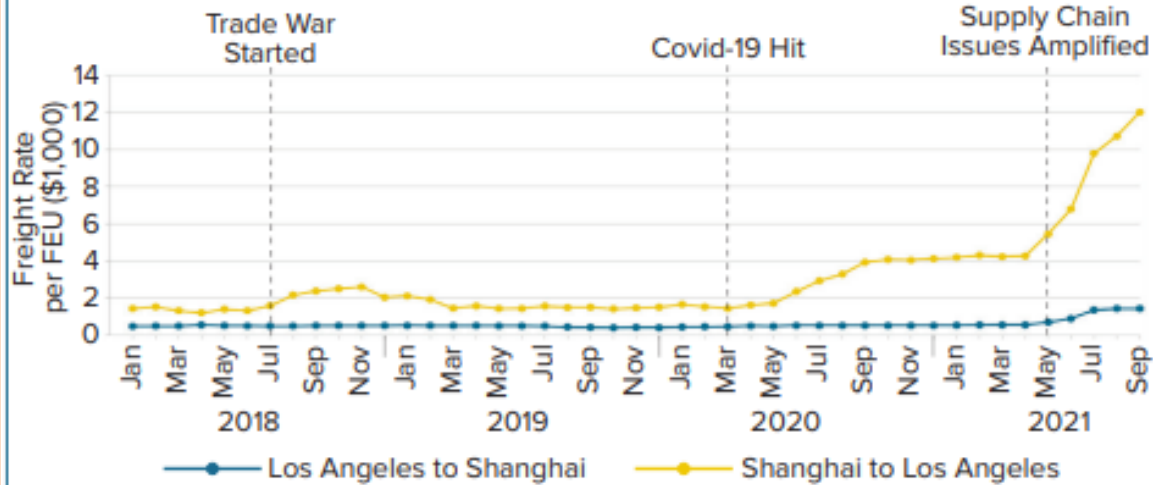
- Western Growers 101
- Focus:
 - Fresh produce, tree nuts
 - Ocean shipping
 - California ports
 - Routes to Asia, Europe

How We Got Here

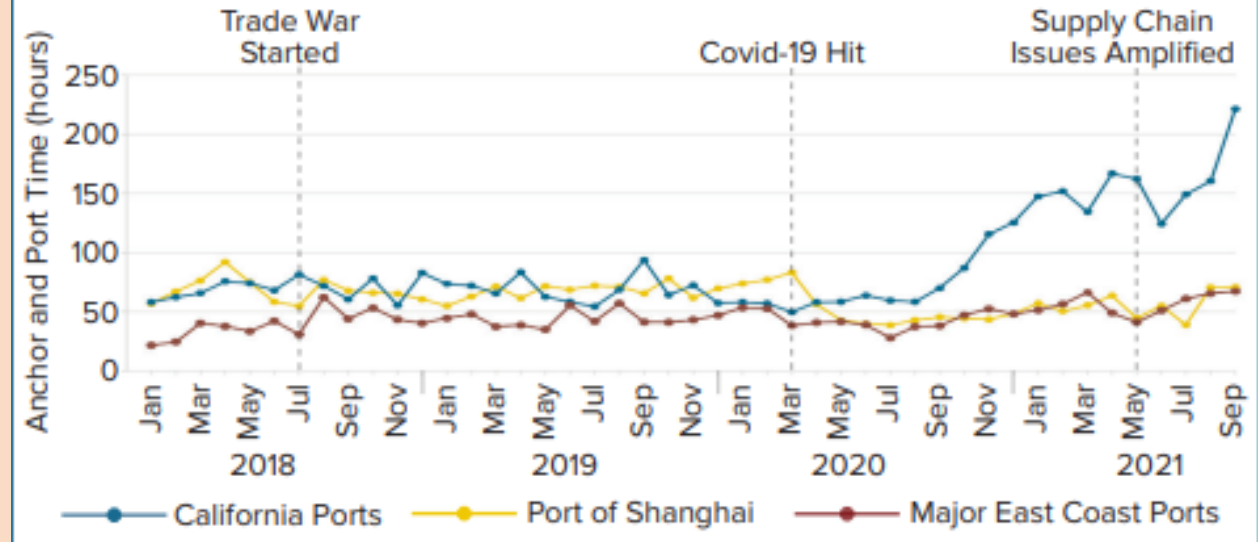


Figure 1. Freight Rates and Port Congestion

Panel A. Freight Rate per Forty-Foot Equivalent Unit (FEU)



Panel B. Average Anchor and Port Time



Source: UC ANR

**Import volume + labor shortage + chassis shortage + excess empty containers + limited warehousing
= PORT CONGESTION**

California Port Snapshot



		PRE- PANDEMIC		CURRENT
Ocean Freight Rates	LA → Shanghai	\$750 (1/20)	\$1,280 (8/21)	\$1,278 (5/19/22)
	Shanghai → LA	~\$2,000 (1/2/20)	~\$12,000 (8/5/21)	\$8,700 (5/19/22)
Container Ship Backlog	LA/Long Beach	<10 (4/1/20)	110 (1/8/22)	29 (5/14/22)
Export Volume (TEUs)	LA/Long Beach	3.2 million (2019)	2.9 million (2021)	884,341 (4/22)
	Oakland	931,019 (2019)	852,374 (2021)	259,750 (4/22)

Source: Drewry World Container Index, Port of Los Angeles, Port of Long Beach, Port of Oakland, USDA-AMS

Agriculture Sector: Stories



U.S. Exporters Coming Up Empty in Scramble for Outbound Containers

A surge of Asian imports to feed retailer restocking efforts has shipping lines rushing boxes back to China, leaving equipment shortages in the U.S.

Source: Wall Street Journal

How America's Farmers Got Cut Out of the Supply Chain

As shipping companies concentrate on the most lucrative routes from China to California, almond growers are struggling to transport their wares.

Source: New York Times

California senators push carriers to add containers for ag exports

Source: Journal of Commerce

Shipping carriers rejected tons of U.S. agricultural exports, opting to send empty containers to China

Source: CNBC

Pressure mounts on ocean carriers to take US ag exports

Source: Agri-Pulse

Agriculture Sector: Challenges



Financial strains

- Ocean freight rates and surcharges
- Detention/demurrage penalties
- Rerouting
- Insurance claims
- Warehousing
- Refumigation
- Truck rates & fuel

Logistical strains

- Booking delays, cancellations, refusals
- Port of Oakland reduction
- Lack of containers, equipment
- Restrictive delivery windows (ERDs)
- Poor communication from carriers and/or terminals

Material strains

- Packaging shortages
- Pallet shortages
- Crop protection and fertilizer cost increases

Agriculture Sector: Impact



2021: \$177 billion

- \$16 billion = fresh fruits and vegetables, tree nuts, cut flowers

Source: USDA-FAS; U.S. Census Bureau

Carter-Steinbach-Zhuang analysis (fall 2021)

- Value of California containerized ag exports fell by 17% (\$2.1B) from May to September 2021
- 25,000 fewer (22% decline) in ag export containers
- 79% of containers leaving California ports were empty



Agricultural and Resource Economics
ARE UPDATE

Giannini Foundation of Agricultural Economics, University of California

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ALSO IN THIS ISSUE

It's Not Always Sunny in California: Strategies to Increase our Reliance on Solar Generation
Kevin Novan and Benjamin Dawson 5

California's Organic Agriculture: Diverse and Growing
Rachael Goodhue, Joji Muramoto, Daniel A. Sumner, and Hanlin Wei 9

"Containergeddon" and California Agriculture

Colin A. Carter, Sandro Steinbach, and Xiting Zhuang

We analyze the effects of the 2021 supply chain gridlock and resulting shipping container shortage on California agriculture. Due to exporters' difficulty obtaining empty shipping containers, the value of California's containerized agricultural exports fell by an estimated \$2.1 billion, about 17%, from May to September 2021. Indeed, we find that the financial damages suffered by California agriculture from the supply chain disruptions exceed the industry's

spending. The resulting demand shock was partially met with imported goods from Asia, growing the 2021 U.S. goods trade imbalance with China by 15% for the first three quarters of 2021, compared with the same period in 2020.

Most goods from Asia arrive via containers, and before Covid-19, California ports typically handled around 40% of U.S. containerized imports. However, California ports became overwhelmed with the recent growth in imports. U.S. ports outside Cali-

as they could be quickly loaded and sent back to the United States, earning a much higher freight rate compared to the backhaul rate from California to Asia. This meant that outbound cargo from California was impacted due to a shortage of containers for loading, creating lost export opportunities for California farmers.

In years past, U.S. agriculture would typically fill over 40% of all loaded shipping containers leaving California ports, and about one-third of those containers carried California

Agriculture Sector: Engagement



Administration

- Increased carrier oversight, investigation
- Supply chain executive orders, task force
- USDA assistance

Congress

- Ocean shipping legislation
- Ocean shipping, supply chain hearings
- Appropriation options

State

- Pop-up container staging areas
- Regulatory reviews
- Truck weights
- Roundtables

Industry

- Advocacy
- Direct carrier discussions
- Best practices

Looking Ahead



- Changing consumer demand → waning import levels?
- Renewed China lockdowns → forthcoming ship surge?
- Ocean carrier adjustments (e.g., sailings, freight rates)
- West Coast port labor negotiations
- Overseas buyer perception and trust

QUESTIONS ?

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