Agriculture Transportation Coalition

"The principal voice of agriculture in U.S. transportation policy"

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Mario Cordero, Chairman 12/5/2014
Rebecca Dye, Commissioner
Michael Khouri, Commissioner
Richard Lidinsky, Commissioner
William Doyle, Commissioner

Dear Mr. Chairman and Commissioners,

This letter is to express the appreciation of the agriculture and forest products exporters of the United States, for the Commission's constructive engagement in attempting to the mitigate the injuries imposed on US exporters (and importers) by the ongoing West Coast port disruption (see the ag Letter to the President). We urge continued engagement by the Commission.

As you know, one of the developments related to the West Coast port operation slow-down, has been significant losses held by US agriculture and forest products exporters. In one particular sector, these losses have been quantified. For forage exports, hay and straw, which account for several hundred thousand TEU annually, the impact is as follows. This is probably an underestimate, as not all forage exporters have yet had a chance to submit their data:

> $25,678,000 in revenue to US hay and straw exporters was lost because the hay wasn't shipped, so the US hay exporter didn't get paid. Also includes dramatically increased trucking costs as trucks waited hours, sometimes days to get into the terminal gate, as operations have slowed to almost a standstill.
>
> 7,365 TEUs of hay and straw were not exported.
>
> 3,950 hours of work lost, 120 people laid off.

One can see that the impacts are substantial. What is particularly worrisome about these sorts of losses is that the impact is not only just seasonal or temporary, but in many cases can be permanent. The Agriculture Transportation Coalition was founded on the following principle:

"There's nothing that we produce in agriculture and forest products in this country, that cannot be sourced somewhere else in the world. If we cannot deliver affordably and dependably, those foreign customers will find alternative sourcing, and it may never come back to the US suppliers."

Twelve years ago, on the previous occasion of West Coast port disruption, Japanese confectioners were unable to obtain, on a timely basis, the superior California almonds to which they and the Japanese customers had become accustomed and preferred. But the candy machines in Japan did not stop rolling, instead Turkish almonds were substituted. Today, twelve years later, some Japanese candy makers, having invested in new supply chains to obtain the Turkish almonds, have not come back to the US almond growers. That business has been lost—permanently. It is a loss for US agriculture, US exports, it undermines the President's National Export Initiative, and it reduces the cargo moving through US ports and ultimately the jobs available for US longshoremen, terminal operators, etc.

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It is certainly understood that ocean carriers suffer greatly when they cannot make regular ship calls, have to alter ship rotations, etc. They lose the freight revenue they were counting upon. But this losses do not come close to that suffered by the US exporter. If the cargo cannot move, the customer can and generally does <u>reject the entire shipment</u>. This means, at the time when agriculture products are being harvested and packed, they cannot ship. The carrier may lose the freight revenue, but the exporter loses the entire value of the contents of that container, tens of thousands of dollars, and loses the customer, perhaps forever.

Thus the specter of ocean carriers imposing congestion surcharges or GRIs at this particular time, when all exporters are suffering great losses and some exporters are losing their entire year's sales, is callously packing salt in the wound, to put it mildly. If carriers claim to want to be partners with their customers, they certainly should not be imposing draconian extra charges at this particular time. In the words of an executive director of one of the nation's largest ports, this certainly seems like the carriers are "piling on." Frankly, we believe the carrier representatives here in the US understand this, but these revenue "opportunities" are being conceived and directed by pricing departments at the foreign headquarters of the carriers.)

For this reason, the Agriculture Transportation Coalition wishes to express its appreciation to the commission for scrutinizing carefully these additional charges that the carriers are imposing on US export community. Those charges run directly contrary to one of the basic purposes of the shipping act, as found in a Section 2 (4): "to promote the growth and development of United States exports…"

To the extent that the FMC limits prohibit the imposition of such extra fees at this time, it is carrying out this critical purpose of the Ocean Shipping Reform Act of 1998.

While many of the recently announced congestion surcharges and GRIs are primarily focused on imports, some are intended for exports. We have engaged directly with carriers to explain the impact, and the tarnish these announcements place on the shipper-carrier relationship. But these announcements, in some cases, continue. Thus we appreciate the Commission's attention to the impact that these additional fees will have on those exporters' and importers' ability to continue to employ hundreds of thousands of Americans, and to remain competitive in the global marketplace, not only this year, but for many years in the future.

We urge the Commission, as the West Coast port disruptions continue, to remain vigilant and willing to act, whether formally or informally, to protect the interests of the US economy. We appreciate the efforts thus far.

Sincerely,

Peter Friedmann
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