



ARE WE SEEING A SHIFT TO A SHIPPER'S MARKET?

Increased capacity, tariff fears and severe weather impacts keep 2019 rates in check

Record demand coupled with tight capacity contributed to historic price increases across the industry in 2018. However, first quarter 2019 results may indicate a forthcoming shipper's market.

What Changed?

First, rate hikes in 2017 and 2018 brought increased capacity into the market. Small carriers that temporarily shut down when the ELD mandate was put in place are now back in business. The industry's largest carriers invested heavily in new trucks and trailers, aiming to take advantage of favorable market conditions and increase market share.

Second, in late 2018, shippers began accumulating inventory in anticipation of increased import tariffs. This premature inventory buildup caused a late 2018 spike in volume that may decrease shipments in 2019.



Third, severe weather, including the Midwest floods in March 2019, impacted seasonal business. The typical flurry of shipments to close the first quarter did not materialize.

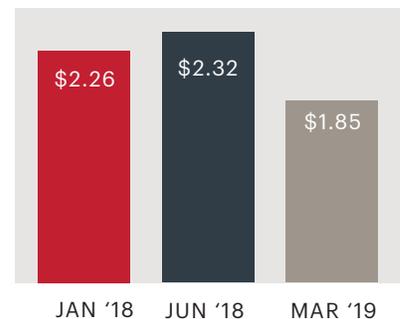
Industry Effects

These factors and others impacted the market in contrasting ways. Shippers, aiming to mitigate supply chain risks and rate increases, began consolidating more freight. Carriers negotiated increased rates for 2019 shipments and have been accepting nearly all contract business. As expected, increases in contract business have driven down spot market activity.

While the U.S. economy remains strong, some anticipate a slowdown in 2019. The driver shortage is expected to continue, and technology advances and consumer demands will continue to put pressure on the global supply chain.

With additional market fluctuations expected, it is more critical than ever for shippers and carriers to develop collaborative partnerships that help both sides manage market volatility.

TREND WATCH: DOT SPOT MARKET TRUCKLOAD RATES, 2018-2019, DRY VAN



Source: DAT Solutions, LLC, DAT Spot Market Truckload Rates, 2018-2019

TAKE ACTION

- **Build mutually-beneficial relationships with carriers. Work with them to secure capacity commitments and longer-term pricing to ensure both operational and financial coverage.**
- **Leverage the expertise experienced carriers like Red Classic can provide at little or no cost.**
- **Be aware of seasonal trends in the coming months. Produce season will begin in middle to late May, tightening capacity in the Southeast and causing a ripple effect throughout the rest of the country.**
- **Keep an open mind to all equipment and service types including rail, refrigerated and flatbed.**
- **Adjust your supply chain practices to increasingly become a shipper of choice.**

Contact us at **866.768.8809** or **info@redclassic.com**.