Transportation market tightens as supplies increase

June 13, 2017

Spot-market produce transportation rates have climbed higher this spring and should remain that way at least until the middle of July. At least that’s the view of Jeff Mosqueda, vice president of sales for Johanson Transportation Service, headquartered in Fresno, CA.

The veteran truck broker told *The Produce News* on the first day of June that the market is tighter than it has been in this time frame for the last two years.

Often a spike in fuel rates will lead to an increase in truck rates, but that hasn’t been the case this spring as fuel rates have not gone up. Mosqueda reasoned that the lower rates over the last couple of years reduced investment in new equipment and caused some owner-operators and truck drivers to leave the industry.

“Rates have been depressed for a long time, which has created a shortage of both equipment and drivers,” he said.

He said rates started increasing in April and climbed through May. While the just-concluded Memorial Day weekend typically sees a drop in rates the following week because of a decrease in shipments, Mosqueda said other factors are also involved.

“Every year during the first week of June, the [Department of Transportation] ramps up its inspection checks for about a week,” he said. “That causes some drivers to take the week off. They don’t want get a fine for a busted taillight or an overweight load, so they park their trucks for a few days.”

As those inspections ease off, the pull for the Fourth of July holiday starts to have an impact. “We usually see about a six-week peak [from Memorial Day until middle of July]and it looks like we are in that right now."

On June 1, the Johanson representative said spot-market prices on cross-country hauls were mostly in the $7,500 to $8,500 range. "Today from Salinas to Philly, we are quoting $7,500; to the Bronx, it's $7,900 to $8,000; and to Boston it's $8,500 to $8,900."

While Mosqueda said the market should start to slide after about July 15, he wasn't ready to put that prediction in stone. He noted that it is possible that the shortage of equipment and drivers will stretch throughout the summer and the strong market will continue.

For its part, Mosqueda said Johanson has been growing its produce business significantly over the last couple of years. "I'd say year over year, we are up 15 percent. Our office should do about 15,000 produce loads this year."

The company also operates actively with dairy, meat and dry goods, and has a robust less-than-truckload business, especially out of a few of its satellite offices.

Besides its Fresno office, Johanson has an office in Sacramento, CA, two in Oregon, and one each in Wisconsin and New Jersey.

Mosqueda said the increase in business has been the result of some diversification of its customer list and closer attention to some contract proposals. The company has also added to its sales team and now has 22 employees in its Fresno office devoted specifically to the produce end of the business.

"That has always been our focus," he said, noting that produce makes up a majority of the firm's hauls. "We are always committed to getting that first load from a new customer because once we do one load, we know we'll get repeat business."

He said that about 60 percent of the firm's business is on contract with 40 percent coming from the spot market. Mosqueda said the spot market is very important because it helps a company improve its bottom line when the contracted rates are too low. Sometimes, a market situation requires a truck brokerage to hire a truck for less than it is receiving on the contracted rate.

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