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Truck rates soaring, and the sky may not be the limit

By

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On April 17, 2020, Fresh Kist Produce in Nipomo, CA, secured a truck for a Boston-bound load for \$6,400. Almost exactly a year later, on Monday, April 19, 2021, the Santa Maria Valley shipper sent off another truck on the same route with a contracted freight rate of \$10,600.

“Who knows what it will be when we start competing again the fruit guys in the (San Joaquin) Valley,” said Denny Donovan, Fresh Kist sales manager.

He noted that the cross-country freight rates occasionally flirt with \$10,000 but never this early in the year. “We’ve been told the rates could be 35 to 50 percent higher this summer. A couple of brokers have told us they can’t get drivers. Too many of them are supposedly staying home collecting stimulus checks and not driving.”

Donovan said the high freights are another cross for western growers and shippers to bear. “With rates like that, our East Coast customers are buying local, home grown and from eastern Canada.”

Of course, buying closer to home will decrease the rates but it is still not going to be easy to get trucks.

Bill Nardelli Sr., president of Nardelli Bros. Inc.-Lakeview Farms in Cedarville, NJ, told *The Produce News*, “this is the first time I can ever remember having to tell a customer (on the Eastern seaboard) that we can’t be there tomorrow. We can’t find enough equipment. That’s unheard of. It’s not a question of price — the price finds itself. We just can’t get the equipment no matter what we are willing to pay.”

The veteran shipper said Nardelli has its own trucks, “which is one of our biggest assets and our biggest headaches.” He said most of the long-time truck drivers are out of the business and are not chasing seasonal fluctuations. He opined that in the past when a seasonal deal would start up, truckers would come out of the woodwork and capacity would grow overnight. “The increased capacity is not there. It truly doesn’t exist to deal with spikes in volume.”

He said many carriers are concentrating on contract business and dedicated runs. They are not around to handle seasonal upswings. He believes rates will be sky high this summer and some receivers will be hard pressed to fill up their warehouses.

Nardelli opined that when it is tight and rates are high, receivers who don’t treat truckers and shippers fairly are not going to get the loads. He lamented the burgeoning practice of docking a trucker or a shipper for a late load, which is often late because of a hang up at the first stop where you had to wait six to eight hours to unload. “I understand weeding out the guys who are always late, but when out of 100 loads, two are late and you are docked \$250 on each one, that’s a hard pill

to swallow. Some carriers are saying they just won't go to a particular receiver."

Back out in California, Jeff Taylor, managing partner for Prime Time International in Coachella, CA, believes 2021 is going to be a very difficult year to get your fresh produce from Point A to Point B. "We are trouble," he said of the upcoming truck supply-and-demand situation.

He recently spoke to a small carrier with eight trucks, who is idling them because he can't get drivers. That mid-April morning, Prime Time had to book a truck from Nogales to Boston at about \$9,000. Taylor said that equates to a \$10,000 coast to coast rate and those rates are only going to go up as vegetables from the coastal California and fruits from the San Joaquin Valley start to ship big volumes in the next few weeks.

Taylor said he has been told the lack of drivers is the result of that labor pool being utilized by the home delivery business, which allows these drivers to still make a living on the road, but do it close to home.

Bob Rose, vice president of national sales at Allen Lund Co., which is headquartered in Los Angeles, agreed that the truck supply situation looks like it is going to be very volatile this summer and record rates could ensue. Rose, who has been securing produce trucks for more than 30 years at ALC, said this year's situation has been more acute than ever. He noted that the typical cycle calls for truck rates to start to climb in late spring and reach their peak near the Fourth of July. "There is no historical reference for what we have witnessed the last 18 months," he said on April 16, which is a continual case of demand outstretching supply.

In fact, Rose is fairly certain that cross-country rates this summer will exceed the \$12,000 to \$13,000 that he saw last year. In fact, the federal Department of Transportation has scheduled its annual safety check period May 4-6. This tends to empty the roads of trucks that are a bit out of compliance. Rose is grateful this period is being held earlier than usual, but he said it should still create a shortage that should see a spike in rates.

However, he also sees light at the end of the tunnel. As a close follower of the Class A truck sales numbers, he said sales are up with 40,000 new units being bought in recent months. While the driver shortage is real, Rose believes it is cyclical and as rates climb truckers will surface. He has heard the explanation that long-haul truckers are trading in that lifestyle for home deliveries near where they live, but he doesn't buy it. "Long-haul truck drivers are different breed," he said. "I don't think they are taking short-haul jobs."

Again, he believes the situation will right itself as the pay increases. But while experience tells Rose we are just in another cycle, he does believe the entire logistics economy is in flux and it could take nine to 16 months for the ship to right itself.

Like Nardelli, Rose does not believe this is a great time for receivers to be getting predatory in their enforcement policies on late loads. "We do a really good job of communicating with our clients and letting them know where the truck is and when it is getting there. Sometimes you just can't control the situation."

He continued: "What I hate is when a customer docks a trucker for a late load, and he hasn't told us ahead of time. That seems like a poor thing to do in this market. When you treat people like that, you get a bad reputation."

Though he is optimistic that the cycle will turn, Rose does admit that the situation is very tight and is probably going to get tighter.

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