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## Truck rates abysmal, but some lanes active

By

Tim Linden

August 24, 2023

Two transportation brokers report that truck rates are extremely low without a lot of hope of overall improvement on the horizon. On the other hand, a San Joaquin Valley grape shipper said his rates have been climbing as he recently secured a load to Texas that was about 15 percent higher in mid-August than it was earlier in the month.

“Trucking is not a way to get rich right now,” said Mark Durfee, general manager of Giltner Logistics, based in Twin Falls, ID. “There are no earth-shattering rates out there. Oregon, Washington, Idaho and Utah are soft. The Southeast is soft. The Midwest is soft. You tell your California grape shipper to give me a call. I’ll find him a truck.”

Yet Jared Lane, CEO of Grapeco Farms, based in Delano, CA, insists his rates have been climbing and as California grape shipments are expected to continue to increase for at least another month. He said truckers have the upper hand. “The rates are not as high as they were a couple of years ago, but they are increasing. The rate (to his Texas buyer) was $4,600 last week and this week it was $5,200,” he said on Aug. 16.

> “Both statements can be true,” said John Stenderup, vice president of sales and marketing for Vektor Logistics, based in Monterey, CA. “This market is so incredibly depressed right now. We’re getting winter rates in the middle of summer, but there are still some lanes that can demand a higher rate.”

For example, he said if a specific market has few opportunities for a backhaul then fewer trucks want to travel that route and the rate will climb even though its depressed everywhere else. “Phoenix is often like that,” he said. “If a truck has to go to Los Angeles empty, then he is going to need more to go to Phoenix. In the past few weeks I have seen higher rates to Texas and Florida because there just weren’t many backhauls available.”

Durfee agreed. He said some produce haulers can demand more for isolated pockets, but overall truck rates are down and not keeping up with costs. He noted on Aug. 17 that from Central California to Boston, a spot rate of $8,000 is currently on the high side, with many being much lower than that. Typically, July and August will see produce truck rates hit their peak as tree fruit and grape volume from the San Joaquin Valley creates great demand, but that has not happened this year.

Durfee added that “Southern California and Arizona are just wastelands right now if you are on the spot market. The rates are horrible.”

Coast-to-coast summer rates can easily surpass five digits. During the peak of the truck shortage in 2020 and 2021, cross-country rates above $13,000 were not unheard of. That equates to a per mile cost well above $4.

“Right now, truckers are only getting $2.50 per mile and often have to settle for $1.50 for the backhaul,” Stenderup said.

He blamed the lower rates mostly on the efficiency of the marketplace, not on an oversupply of trucks or an undersupply of product. He noted that the truck boards create a situation where everyone — including the shipper and buyer — can see almost exactly where the demand is and where the trucks are.

Those truck boards also allow truckers to efficiently move from one load to the next. In essence that lets a trucker do more hauls in a month or a year. More hauls mean more supply even though the actual supply hasn’t increased.

> “We always see a spike over the Fourth of July,” Stenderup said. “There was nothing this year.”

There is no projected bump in produce supplies that he believes will change this market in the foreseeable future. “The market is as loose as I have ever seen it in August and I see no reason that it will change,” he said. “I think it will stay this way until spring.”

In the spring, it won't be the typical increase in produce supplies that will alter the equation. "We are going to see a barrel full of bankruptcies in the trucking business. Their costs are going up and they can't survive on these rates."

Stenderup predicts that the trucking firms with 20 to 50 trucks will be hit the hardest. "It's easier to manage your costs if you have two, three or five trucks," he said.

He explained that when truck rates were high many of those mid-sized companies invested their profits and grew the size of their fleets. Now they have hefty payments to make and they can't afford to idle the trucks.

> "There is always a pendulum effect," he said. "The lower the rates go, the more bankruptcies and the higher the rates will climb on the rebound."

The veteran truck broker, who spent 14 years with C.H. Robinson before joining Vektor in 2022, said produce truckers will fare a bit better than the average dry freight trucker. "The temperature-controlled space, which includes produce haulers, only represents about 15 percent of the overall (transportation) market," Stenderup said. "Produce haulers have always been pretty resilient. There is a lot of seasonality in the produce space with truckers having to go in and out of the market as their normal traffic pattern."

Consequently, he said these independent owner-operators tend to keep a watchful eye on their own costs and don't get overextended. He expects they will be there when the market goes up.

"It's not a matter of if, but when," Stenderup said. "There will be an upcycle. "Right now, truckers are taking rates 15 to 25 percent below their costs. That can't last forever. Rates will climb again and be in the $3 to $4 per mile range."

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## About Tim Linden |

Tim Linden grew up in a produce family as both his father and grandfather spent their business careers on the wholesale terminal markets in San Francisco and Los Angeles.

Tim graduated from San Diego State University in 1974 with a degree in journalism. Shortly thereafter he began his career at The Packer where he stayed for eight years, leaving in 1983 to join Western Growers as editor of its monthly magazine. In 1986, Tim launched Champ Publishing as an agricultural publishing specialty company.

Today he is a contract publisher for several trade associations and writes extensively on all aspects of the produce business. He began writing for The Produce News in 1997, and currently wears the title of Editor at Large.

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