



February 2, 2021

Hon. Eleni Kounalakis
Lieutenant Governor
State of California

Dee Dee Myers, Director
Governor's Office of Business
& Economic Development

Karen Ross, Secretary
California Department of
Food and Agriculture

Re: January 28, 2021 letter to Federal Maritime Commission

Dear Lt. Governor Kounalakis, Director Myers, and Secretary Ross,

On behalf of the members of the Pacific Merchant Shipping Association and the World Shipping Council, we respectfully respond to your letter of January 28th to the Federal Maritime Commission on the subject of delays and ongoing shipping challenges in California's ports.

These issues affecting California are the result of unprecedented and unpredictable disruptions to the international supply chain caused by sudden and radical changes to the demand for goods due to the Covid-19 pandemic.

In the initial response to the pandemic, the global economy contracted and intermodal demand dropped by 20%-30% by mid-2020. Since then, as demand and cargo volumes have rebounded, carriers have redeployed vessels, and terminals and logistics providers have scrambled for capacity and equipment as quickly as possible to meet that demand. Recent estimates of this rebound pegged total inbound container growth in North America at over 23% in December 2020 year-over-year. Furthermore, Alphaliner concluded at the end of 2020 that the inactive carrier fleet stood at just 2.5%, meaning that nearly every available containership in the world has been pressed into service.

As inland transportation, port and warehousing operations have been hit by lockdowns, labor shortages and volume overloads, the positioning, use and return of containers within the global supply chain has slowed. Carriers and other supply chain participants are working to improve access to container equipment through the repositioning of empty containers along with the purchasing, leasing, repairing, and dispatching all available containers.

Everyone experiencing these unprecedented conditions has been impacted by the business challenges, costs and delays resulting from the pandemic and its demand surge. And that is why, in the midst of all of the disruption being experienced by shippers, carriers, and ports across the globe, it is simply not the case that agricultural exporters in California are being singled out for disparate treatment in the intermodal supply chain.

As our members are in the business of transporting cargo, we share your interest in serving the needs of exporters of agricultural products to foreign trading partners through California ports. To that end, our members have facilitated significant year-on-year increases in the exportation

of the same California agricultural commodities – namely almonds, pistachios, and walnuts – that were singled out in your letter. Export sales volumes for December 2020 (the most recent month for which statistics are available) when compared with December 2019 demonstrate substantial increases in the export of these commodities year-on-year:

- Almonds - December 2020 Total Export Shipments: 196,138,005 pounds; December 2019 Total Export Shipments: 148,466,577 pounds = **+32.1%, increase in exports.**
https://www.almonds.com/sites/default/files/2021-01/2020_12_PosRpt_523gh4.pdf
- Walnuts - December 2020 Export Inshell Equivalent Tonnage: 68,313 tons; December 2019 Export Inshell Equivalent Tonnage: 52,294 tons = **+30.6% increase in exports.**
<https://walnuts.org/report/shipment-report-december-2020/>
- Pistachios: December 2020 Export Total: 26,971 tons; December 2019 Export Total: 11,925 tons = **+126% increase in exports.**
<https://2a6evr2sdcig2sxexo1nm58w-wpengine.netdna-ssl.com/wp-content/uploads/2021/01/12-2020-Inventory-Shipment-Tons.pdf>

These export sale increases are in line with the increased export value of the entire category of “Foods, Feeds, and Beverages” which hit a commodity valuation in December 2020 of \$14.2 billion, compared to December 2019’s \$10.9 billion, a 30.7% increase in export values. (see <https://www.census.gov/econ/indicators/tab1adv.pdf>)

In addition to addressing the mistaken impression that California’s agricultural exports are being excluded from access to the international supply chain, we are also concerned about the proposed “potential remedies” listed in your letter. The adoption of these proposals would make congestion and intermodal equipment availability problems worse, not better.

For example, the proposal to suspend or reduce detention and demurrage and other charges would create a disincentive for cargo interests to move import cargo off of marine terminals or to promptly and efficiently unload import cargo from containers and return those containers for further use. Creating such disincentives to keeping cargo and equipment moving would reduce the availability of containers for use to carry U.S. import and export commodities. Similarly, using marine terminals as storage facilities as opposed to transit points would increase congestion and slow the movement of cargo.

Rather than encouraging the FMC to become involved in the operational and commercial details of the complex relationships among the users and service providers at our nation’s ports, the operations of which differ markedly across the country, we instead encourage closer dialogue amongst all parties in the supply chain to understand and collaborate to address the challenges we all face during the COVID cargo surge.

Sincerely,



John McLaurin
Pacific Merchant Shipping Association



John Butler
World Shipping Council

cc: Commissioner Rebecca Dye, Federal Maritime Commission
Danny Wan, Executive Director, Port of Oakland
Eugene D. Seroka, Executive Director, Port of Los Angeles
Mario Cordero, Executive Director, Port of Long Beach
Kristin Decas, Port Director & CEO, Port of Hueneme