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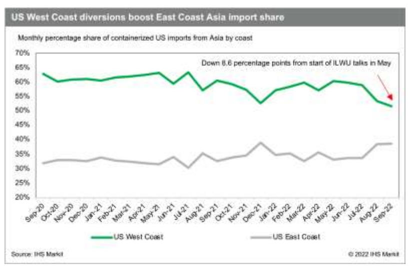
Asian imports at West Coast ports declined this year through September, while volumes increased by double digits at East and Gulf coast ports. Photo credit: Shutterstock.com.

Asia import volumes landing at ports along the US East and Gulf coasts have surged through the first nine months of the year amid protracted longshore labor negotiations on the West Coast that have dragged into the fall. It is the clearest sign yet that retailers have shifted discretionary cargo away from the West Coast in a bid to avoid potential disruptions linked to the contract talks.

While retailers normally divert some discretionary cargo to ports on the East and Gulf coasts in years when the International Longshore & Warehouse Union (ILWU) and Pacific Maritime Association (PMA) negotiate a new contract, the shift away from the West Coast has been particularly dramatic this year.

Import volumes from Asia to the East Coast jumped 11.8 percent from January through September compared with the year-ago period, while surging 29.2 percent on the Gulf Coast, according to PIERS, a JOC.com sister company within S&P Global. Volumes moving through the West Coast slipped 1.7 percent during the period.



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For individual ports in the month of September, imports in Los Angeles-Long Beach and Oakland increased 2.5 percent, but declined 10.4 percent in the Northwest Seaport Alliance of Seattle and Tacoma from September 2021, according to PIERS. By contrast, Asian imports in September increased 14.3 percent in New York-New Jersey, 11.1 percent in Savannah, 34.2 percent in Houston, and 45 percent in Charleston.

Total US imports from Asia through September were up 4.5 percent year over year.

The shift in coastal market shares has been equally noteworthy — and troublesome for West Coast ports. The share of Asian imports landing at West Coast ports for the nine months through September dropped to 57.5 percent from 61.2 percent last year, according to PIERS. What was lost on the West Coast was gained by the East Coast, where the import share climbed to 35.1 percent from 32.8 percent last year, and the Gulf Coast, whose share rose to 7.1 percent from 5.7 percent.

Several factors contributing to cargo diversion

The magnitude of discretionary cargo diversion to East and Gulf coast ports is due to several developments on the West Coast this year, according to retailers and industry analysts.

Shipper uncertainty about labor disruptions is a major factor. The ILWU-PMA coastwide contract expired on July 1. The negotiations, which began on May 10, included a positive development in late July when the two parties announced they had reached a tentative agreement on health benefits. However, the talks have also been marred by brief job action or threats of job action in Seattle-Tacoma, Oakland, and Los Angeles-Long Beach.

Questions about drayage capacity at California's ports due to the implementation of the state's worker classification legislation known as AB5, as well as new environmental restrictions on aging trucks, have also played into retailers' supply chain decisions, said Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation.

West Coast marine terminal congestion and vessel backlogs earlier this year, especially in Southern California, pushed more discretionary cargo to the East Coast, said Dan Smith, principal at the consultancy Tioga Group. But congestion issues and vessel backlogs at key East Coast gateways such as Savannah, New York-New Jersey, and Houston this summer and fall have worsened while terminal fluidity improved and vessel backlogs diminished at West Coast ports, he said.

"What has gone on this year with importers is a huge juggling act," Smith told JOC.com Friday.

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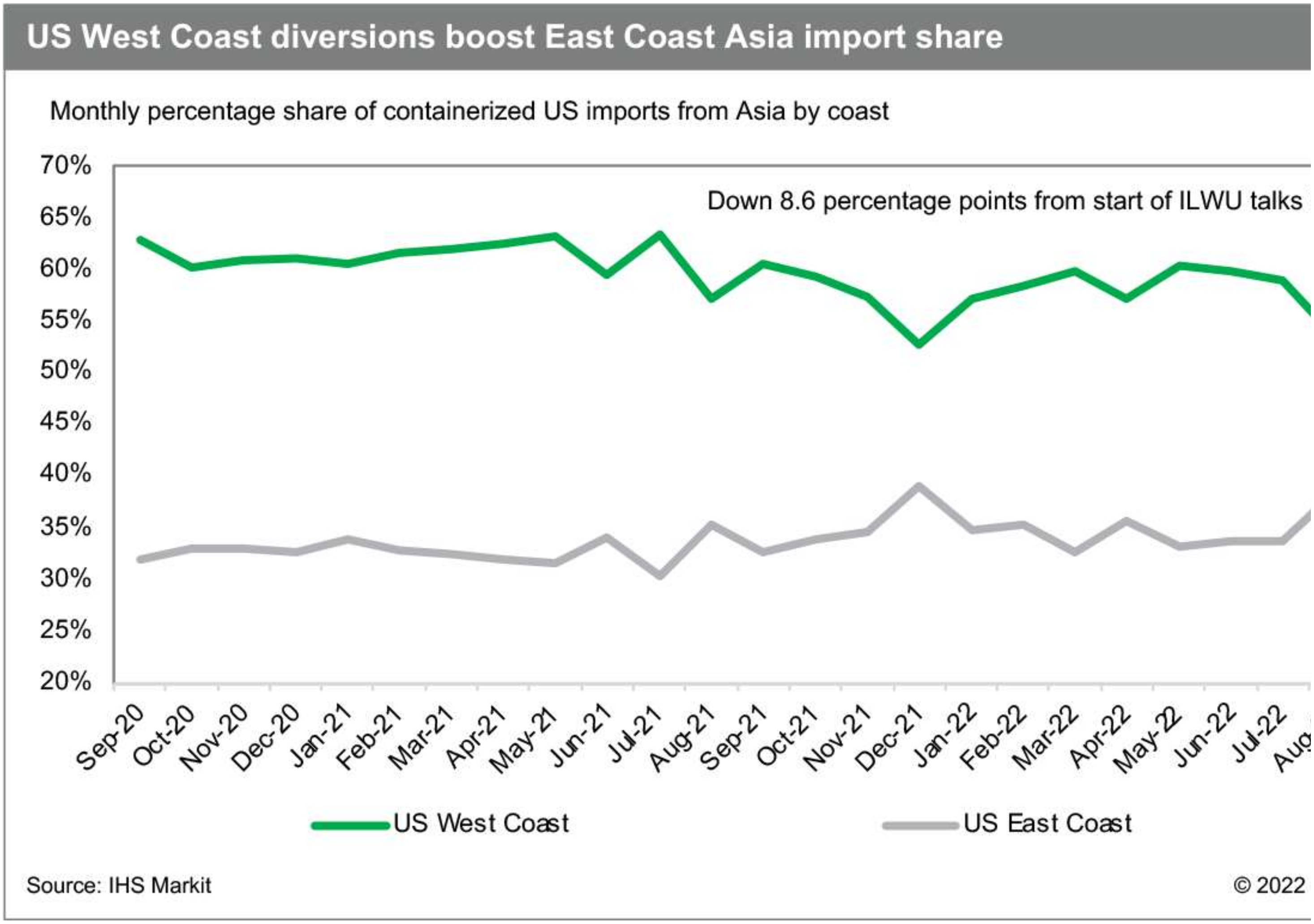
US West Coast diversions boost East Coast Asia import share
Monthly percentage share of containerized US imports from Asia by coast
Down 8.6 percentage points from start of ILWU talks
70%
65%
60%
55%
50%
45%
40%
35%
30%
25%
20%
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
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US West Coast
US East Coast
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