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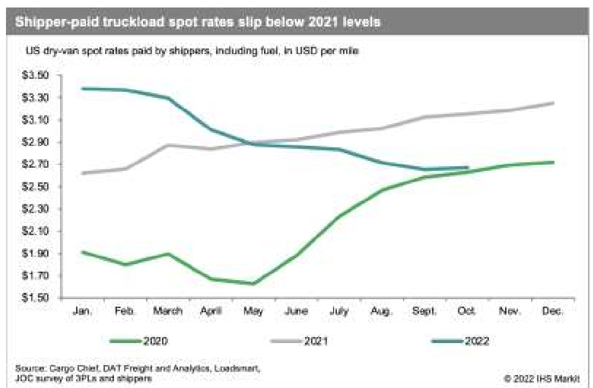
Home > US truckload spot rates stabilizing after summer slump

Ari Ashe, Senior Editor | Oct 10, 2022 4:29PM EDT

Spot dry-van truckload rates are lower than any point since the COVID-19 pandemic but remain higher than 2019 levels. Photo credit: Shutterstock.com.

Trucking spot market rates fell last month for the first time in a September since 2019, including out of all US port cities, but data in the first 10 days of October suggest rates may be bottoming out as shippers sign contacts with brokers to lock in low rates for the next year.

Nationwide average truckload pricing fell to $2.86 per mile on an unweighted basis in September, down from $2.94 per mile in August and $3.46 per mile in September 2021, according to the JOC Shipper Truckload Spot Rate Index, a measure of shipper-paid dry-van rates, including fuel.



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However, a preliminary reading of the index — based on data from Cargo Chief, DAT Freight and Analytics, digital broker Loadsmart, and a survey of freight brokers and shippers — for early October show signs of a possible rebound.

National rates rose $0.02 per mile on average to $2.88 per mile as of Oct. 10, and busy outbound port lanes saw larger increases. Shipper rates from Los Angeles to Chicago, for example, rose to $2.47 per mile as of Oct. 10 from $2.36 per mile at the end of September.

One reason spot rates may be stabilizing is that shippers are beginning to lock in lower rates in their annual contracts. Shippers are not only bidding out to asset-based companies such as Knight-Swift Transportation, or Werner Enterprises, among others, but non-asset providers such as C.H. Robinson Worldwide or Total Quality Logistics (TQL) who put loads on the spot market.

Bidding on 'ghost lanes'

Dean Croke, principal analyst with DAT, said shippers are also more conscious than ever about segregating their volumes between the contract and spot markets.

“About 80 percent of the volume in the shipper’s contract world moves on 20 percent of the lanes, but when a shipper bids 100 percent of their lanes, you’re asking carriers to bid on a lot of lanes with one load per month or per year, ghost lanes that never have any freight on them,” Croke said during the JOC Inland Distribution Conference in Chicago Sept. 27. “Shippers are now bidding only the lanes with a lot of volume, and on lanes where there’s low volume, they’re going straight to the spot market.”

Croke said shippers are using the spot market to move freight in low-volume lanes because spot rates are cheaper than contractual rates, and not just on those low-volume lanes, according to JOC and DAT’s data. Of the 68 outbound lanes from Los Angeles tracked by the JOC index, for example, 58 were cheaper on the spot market door-to-door for a shipper, fuel included, in September.

If shippers use these rates to sign annual contracts with brokers such as C.H. Robinson or TQL, which then tender loads on the spot market, this could reignite demand for small carriers working with brokers going into 2023.

Rates still higher than pre-pandemic levels

Although they fell 17.3 percent from the same month a year ago, national spot truckload rates were still up 21.2 percent ($0.50 per mile) in September compared with September 2019, prior to the COVID-19 pandemic, according to the JOC Shipper Truckload Spot Rate Index.

“We’re still higher than where they were pre-pandemic, if you go back and consider pre-pandemic to be relatively normal,” Croke said at the conference. “2020 and 2021 were abnormal; we sort of dismiss those years. When we look at our long-term historical rates, the important takeaway here is we’re still higher than normal, close to 2018 levels.”

Paid subscribers can request the data behind the JOC Shipper Truckload Rate Index.

Contact Ari Ashe at ari.ashe@ihsmarkit.com and follow him on Twitter: @arijashe.

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