OUTSOURCE

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THE SOURCE

TRADE WAR!! (???)

Inside this issue
Cover Story:
Is the USA plunging the world into trade chaos?

China: 'The US has launched a trade war'

by Mark Thompson (@MarkThompsonCNN) 6/15/2018

US to impose $50 billion worth of tariffs on China. The world's two biggest economies are now at war over trade.

China accused the United States of firing the first shot on Friday when the White House said that it would impose tariffs of 25% on $50 billion worth of Chinese goods. The announcement confirms a threat first made by President Donald Trump in March and follows months of trade talks between the two sides. A truce was announced in May, but it proved short-lived. "The United States has kept changing its mind and now launched a trade war," China's Commerce Ministry said in a statement.

The Chinese government said it would respond in kind to the US tariffs, which will apply to roughly 1,100 exports and will target China's aerospace, robotics, manufacturing and auto industries. "China does not want a trade war," it said, adding that it would "fight back vigorously" in defense of its national interests, globalization and the world trade system. "We will immediately launch tariff measures that will match the scale and intensity of those launched by the United States."

Beijing also said "all economic and trade agreements reached by previous negotiations will be nullified at the same time." That includes a tentative deal to increase Chinese purchases of US energy and agricultural goods.

Like the US tariffs, China's retaliatory tariffs will be rolled out in two waves, the Finance Ministry said. And they will start on the same day. Beijing will impose tariffs on 545 US items worth $34 billion — including agricultural products, automobiles and seafood — starting on July 6. Tariffs on the remaining 114 items, including chemicals, medical equipment and energy products, will start later.

The United States is targeting 800 Chinese exports, worth about $34 billion, starting July 6, and another 280 or so after a public comment period. Trump has long complained about China's huge trade surplus with the United States. In a statement Friday, he said trade with China "has been very unfair, for a very long time."

Number of the Day 46%

Share of U.S. containerized import volume that came from China in the first five months of 2018, according to Alphaliner.

Trade War Piles Currency Pain on China-Exporter Emerging Markets

By: Paul Wallace 6/20/2018 AJOT

Just when it looked like things couldn't get much worse for emerging markets, along comes a trade war. And it's hitting emerging-market commodity suppliers and China-exporter nations especially hard. Take Thailand and South Africa, which each send about 20 percent of their goods to China. The Thai baht has just reversed year-to-date gains against the dollar, while the South African rand, despite a rebound on Wednesday, is still down 1.9 percent this week near a seven-month low, the most among 24 major emerging currencies tracked by Bloomberg.

The pain is evident in raw material prices. The Bloomberg Commodity Index has slumped 4.2 percent this month, its worst performance since July 2016, while the London Metal Exchange LMEX Metals Index was down 5.4 percent in the four days through Tuesday. "If the setback for trade is big enough to slow down the global economy, which is likely to be the case, you'd expect commodity prices to decline or no longer rise," Cristian Maggio, head of emerging-market strategy at TD Securities in London, said in an interview. Countries closely tied to Beijing through exports of commodities or manufactured goods, such as Russia, and Asian exporters like South Korea, are particularly vulnerable, he said.

Donald Trump's pledge this week to place tariffs on a further $200 billion of Chinese imports is heaping extra pressure on developing economies at at time when they're already being roiled by the strength of the dollar and rising U.S. bond yields. The fear is that a trade war would slow growth in China, the biggest consumer of raw materials. South Korea's won and Russia's ruble are both depreciating for a third week, with the former at its weakest against the dollar since mid-November and the latter close to an 18-month low. South Korea exports almost one-third of its goods to China, which is also Russia's biggest trading partner, according to data compiled by Bloomberg.

"Small open economies in East Asia, such as Taiwan, Singapore and Malaysia, look most exposed to U.S. tariffs on imports from China due to their role in supply chains," said William Jackson, a senior economist at Capital Economics Ltd. in London. "Likewise Chile, which produces copper used in China's electronics sector, would also be affected."

China buys more than half of South Africa's raw-material exports.

"The rand is caught in the crossfire as we have little to offer," said Isaah Mhlanga, an economist at FirstRand Bank Ltd. in Johannesburg. "Growth is weak, the South African Reserve Bank cut rates in March and remains on hold while other emerging-market central banks bolster their attractiveness by hiking rates. This leaves the rand as vulnerable as taking a naked summer swim with jelly fish." While emerging currencies would have been under pressure in the second half of this year anyway because of monetary tightening by the U.S. Federal Reserve, the pain will be exacerbated for those nations whose economies stutter if the trade spat escalates, according to Societe Generale SA. "Emerging-market currencies will depreciate with periodic episodes of stress during the late-cycle Fed tightening phase," said Jason Daw, a SocGen strategist in Singapore. "It will get really bad if the Fed is hiking when growth is slowing."

China Accuses U.S. of Trade `Abuses' as India Hits Back at Trump

By: Bloomberg News | 6/21/2018

The global trade war deepened Thursday with China reiterating it will hit back if the latest tariff threats from Donald Trump materialize, while India followed the European Union in slapping retaliatory levies on U.S. goods. China is "fully prepared" to respond to any new list of U.S. tariffs, according to a commerce ministry spokesman, who said the nation will use a combination of quantitative and qualitative measures. Trump on Monday evening ordered up identification of $200 billion in Chinese imports for additional tariffs of 10 percent—with another $200 billion after that if Beijing retaliates.

India raised tariffs on a slew of items in retaliation for the U.S. imposing higher levies on some products shipped from the South Asian nation, echoing steps taken by China, the European Union and other trading partners. The import duty on chickpeas and bengal gram, or chana, has been increased to 70 percent and will take effect from Aug. 4. The world's most-powerful central bankers this week warned that escalating international trade tensions have started damaging confidence among companies, threatening the global economic expansion. (To continue reading this article please click on the link provided) https://www.ajot.com/news/china-accuses-u.s-of-trade-abuses-as-india-hits-back-at-trump

2 differing positions on dairy issue holding up NAFTA

Trudeau Has Billions of Reasons to Dig In Against Trump on Dairy https://www.ajot.com/news/trudeau-has-billions-of-reasons-to-dig-in-against-trump-on-dairy

Trump Has a Point on Dairy, Canada's Biggest Cheesemaker Says https://www.ajot.com/news/trump-has-a-point-on-dairy-canadas-biggest-cheesemaker-says

TRIVIA QUESTIONS

1) What state has the 3 longest bridges in the USA?
A. California **B.** Colorado **C.** Louisiana **D.** Tennessee

2) Which U.S. bridge is the highest in the country?
A. Foresthill Bridge **B.** New River Gorge Bridge **C.** Rio Grande Gorge **D.** Royal Gorge Bridge

3) How many covered bridges once stood on US roadways (approximately)?
A. 18,000 **B.** 7,000 **C.** 14,000 **D.** 9,000

4) How many covered bridges still stand on US roadways today (approximately)?
A. 750 **B.** 900 **C.** 2,000 **D.** 1,300

5) Which state has the most covered bridges today (approximately)?
A. PA **B.** OH **C.** IN **D.** VT

6) What is the oldest bridge in use within the USA?
A. Old Stone Br. (NJ) **B.** Adams St. Br. (MA) **C.** Royal Springs Br. (KY) **D.** Frankford Ave Br. (PA)

Answers Later In The Newsletter

FUEL REPORT

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) http://www.eia.gov/petroleum/gasdiesel/

	6/4/18	6/11/18	6/18/18	Change from week ago	Change from year ago
U.S. National Average	$3.285	$3.266	$3.244	-0.022	0.755

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UPS Is Adding 730 Alternative-Fuel Trucks to Its Fleet

Delivery company is ramping up use of natural gas vehicles as a way to trim fuel costs and emissions

By Jennifer Smith, WSJ, 6/19/2018

United Parcel Service Inc. is growing its fleet of alternative-fuel trucks as the delivery giant pushes to reduce fuel costs and vehicle emissions. The parcel carrier is spending $130 million to buy 730 compressed natural-gas vehicles, boosting its current CNG fleet by about 19%, and to add five CNG fueling stations to its existing network of more than 50 stations, UPS announced Tuesday. The new equipment includes 400 Freightliner and Kenworth big rigs from Daimler Trucks North America and Paccar Inc., respectively, and 330 terminal trucks, which move trailers around UPS facilities, from TICO Manufacturing and Power Solutions International, Inc.

The UPS investment is part of a broader effort to trim the company's greenhouse-gas emissions from its ground operations by 12% by 2025. It comes as the company is investing $20 billion to automate its facilities and upgrade technology as it adjusts to swelling volumes of e-commerce packages bound for consumers' doorsteps. Such deliveries tend to be less profitable than drop-offs at businesses. Fuel is historically the biggest expense for transportation companies. While diesel prices dipped in 2015 and 2016, the cost has been climbing again. Over the past four weeks, the average on-highway price hovered between $3.239 to $3.288 a gallon, according to the U.S. Energy Information Administration. Last year, UPS's fuel expenses jumped 27% on higher prices for jet, diesel and gasoline fuel and on increased package volumes, according to the company's annual report. Some of those costs get passed on to customers via fuel surcharges. (To continue reading this article please click on the link provided) https://www.wsj.com/articles/ups-is-adding-730-alternative-fuel-trucks-to-its-fleet-1529433303?mod=djemlogistics_h

Carriers refuse to bow to anti-surcharge pressure

Greg Knowler, Senior Europe Editor, Bill Mongelluzzo, Senior Editor | 6/19/2018

Global container carriers are holding the line on emergency bunker surcharges (EBS), offering global forwarders no flexibility in pricing as the carriers contend with rising operating costs, weak freight rates, and the unfolding US trade war with China and the European Union that threatens to cut volumes. With enormous and mounting financial pressure on most of the world's major shipping lines, forwarders tell JOC.com they are passing the bunker surcharges on to customers with carriers in no mood to negotiate. The bunker surcharges were rolled out on June 1 on worldwide trades and will be charged from July 1 on the trans-Pacific. (To continue reading this article please click on the link provided) https://www.joc.com/maritime-news/container-lines/carriers-refuse-bow-anti-surcharge-pressure_20180619.html

Number of the Day **5.8%**

Forecast growth rate in global container shipping capacity in 2018, according to Alphaliner.

FMC rule allows NVOCCs to respond faster to BCO needs

The FMC is simplifying NVOCC requirements involving two common contracting tools — negotiated rate arrangements (NRAs) and NVOCC service arrangements (NSAs). The final rule will be published early this summer. Key provisions in the rule will allow NRAs to be amended at any time, and NRAs will be allowed to address both terms of service as well as freight rates. BCO acceptance of NRA terms will be established by the booking of the shipment. "With the final rule, the commission will make NSAs easier and more attractive to use by removing filing and essential terms requirements," the FMC stated.

Providing an example of how the changes will benefit NVOCCs and their customers, Greenberg said that until now NRAs could not be amended to respond to changing conditions in a trade lane. "That doesn't work in the dynamic environment of ocean shipping," he said. What happened, he said, is that either the NVOCC would lose money when conditions changed, or the customer would ship with someone else. NRAs can now be amended. Also, although the terms NRAs were limited to ocean freight rates, as the name implied, customers wanted to include other terms in their contracts such as credit, dispute resolution, and liability. The FMC responded with a final rule that, "pretty much provides everything that the NCBFAA asked for," said Rich Roche, chairman of the NVOCC subcommittee of the NCBFAA's transportation committee.

The commission stated that the final rule will allow the FMC to fulfill its mission under the Shipping Act to ensure a competitive environment in the US trades while making it easier for NVOCCs to service their customers. "The changes that will be made to NRAs and NSAs will remove impediments on the ability of NVOCCs and their customers to negotiate a single business arrangement that serves the interests of both parties," said commissioner Rebecca Dye.

The energizing American Shipbuilding Act of 2018 6/7/18 by AJOT

Last week, Congressman John Garamendi (D- CA), the ranking Democrat on the House Subcommittee for Coast Guard and Maritime Transportation, introduced The Energizing American Shipbuilding Act of 2018. The bipartisan bill, which would require the construction of over fifty ships and the creation of thousands of maritime and mariners' jobs, is being carried in the Senate by Senator Roger Wicker (R-MS). In an interview with *AJOT*, Garamendi said that projections of 50 new shipbuildings by 2040 comes from "the legislation which requires a small percentage of exported crude oil and liquefied natural gas (LNG) to be transported on U.S.-built and U.S.-flagged vessels. These ships will create jobs for U.S. shipyard workers and jobs for U.S. mariners manning the ships…Based on a recent conversation with Chevron, I learned they plan to invest $30 billion more in oil production facilities in the next four years most of which will be for export. So, our projections may understate the potential." Garamendi told *AJOT* he is hopeful of passage of the legislation because "support is not only bi-partisan, it is bi-cameral, and support is based on broad-based support of shipbuilders, component suppliers such as propeller and crankshafts and by the maritime and shipbuilding unions and workers." He hopes the proposed legislation will become law by the end of 2018.
(To continue reading this article please click on the link provided) https://www.ajot.com/insights/full/ai-the-energizing-american-shipbuilding-act-of-2018

FOR IMMEDIATE RELEASE **June 11, 2018**

Trucking Industry to Continue to Fight Discriminatory Rhode Island Tolls
Ocean State's Truck-Only Tolls are an Illegal Impediment to Interstate Commerce

Arlington, Virginia — Today, leaders of the American Trucking Associations and the Rhode Island Trucking Association pledge to continue fighting against the state of Rhode Island's predatory and discriminatory truck-only toll scheme. "By pressing ahead with her ill-conceived RhodeWorks scheme, Gov. Raimondo is violating the Constitution by interfering with interstate commerce," said **ATA President and CEO Chris Spear**. "She and her administration were warned of this repeatedly by the trucking industry and we will continue to fight these unjust tolls by any means available."

Trucks make up just over 2% of the traffic on the highways being tolled under Rhode Island's plan, and to place 100% of the burden for maintaining the state's roads and bridges on those trucks will hurt Rhode Islanders and the entire New England region. "By imposing these tolls, Gov. Raimondo and her profiteering allies in Providence are needlessly inflicting economic pain – 94% of the costs of these tolls will ultimately be borne by Rhode Island businesses – and worsening our state's congestion problems as study after study has shown that when new tolls are imposed, traffic simply diverts away from them – thus taking traffic off of the interstates and putting it on Main Street," said **RITA President Chris Maxwell**. "Tolls are as inefficient, with as much as 30% of revenue collected going to government overhead, as they are unsafe – putting needless chokepoints on our highways and pushing traffic off of larger, safer highways and on to smaller arterials," Spear said. "Trucking is willing to pay our fair share – to pay more than we do now – for good roads and bridges. What we are not willing to do is foot the bill alone for an ill-conceived and illegal highway funding program that ultimately will become an unwatched slush fund for the governor's office.

"We warned Gov. Raimondo about heading down this road and it is unfortunate that she has chosen to attack our industry in this way," he said. "We continue to explore all avenues – including the courts – to get this decision reversed and she and her administration should expect us to continue to fight for fair and equitable highway funding in Rhode Island."

Answers to Trivia

ATA lauds proposed HoS changes in the U.S.

ARLINGTON, Va. – The American Trucking Associations (ATA) is lauding two members of the U.S. Congress for introducing legislation that will provide more flexibility around Hours of Service (HoS) if passed. The Honest Operators Undertake Road Safety, or HOURS Act, was introduced by Representatives Rick Crawford, Sanford Bishop, and Bruce Westerman, and would build upon on clarifications to HoS regulations the Federal Motor Carrier Safety Administration has already offered or is considering.

The ATA says since regulations about the mandatory use of electronic logging devices (ELDs) came into effect in December issues surrounding HoS rules have become clear. "Now that the trucking industry is coming into full compliance with the electronic logging mandate, the next step in improving truck safety and supply chain efficiency is to use the data these ELDs collect to make needed improvements to the underlying hours-of-service rules," said ATA president and CEO Chris Spear.

The bill calls for HoS exemptions for drivers hauling livestock or agricultural products within 150 air-miles from the source of the load during planting and harvesting seasons – something the FMCSA granted recently. The bill also calls for harmonization of the HoS rules for short-haul drivers by exempting drivers from ELD requirements if they operate exclusively within 150 air-miles of their reporting location and complete their workday in 14 hours, ending what the ATA calls a two-tiered system.

If passed the legislation would also reduce the number of supporting documents required by drivers to verify the start and end times of their on-duty periods and accelerate the FMCSA's efforts to provide split rest times and flexibility for drivers who take rest periods in sleeper berths. The ATA calls the proposed changed common-sense relief for drivers that also enhance highway safety and supply chain efficiency.

Carrier Contract Negotiation

Five Hidden Things to Look for During a Parcel Bid Event

By Rick Miller 3/15/2018 Parcel Magazine

(Editor's note: While this is a March article in a June newsletter, it seems to be an article that fits in any month. Please enjoy it.)

In every bid event, you want to make sure you have all your bases covered and are setting yourself up for a great relationship with your carrier over the life of the contract. Fully understanding your parcel contract, including some of the easily overlooked pieces, can help mitigate future disagreements or unexpected budget issues. The following five things are key areas to consider carefully in your contract.

Accessorial Fee Discounts. This one may seem obvious – of course you want, and probably have, discounts on at least a few of your accessorial fees, but do you have them on the ones that mean the most to you from a monetary standpoint? A few sometimes overlooked accessorials and surcharge discounts are (a) not getting a fuel discount for all services, (b) not getting a Residential Fee discount for all Ground and Air services, and (c) not getting a DAS discount for Commercial shipments when you have one for Residential shipments. Remember, almost all Accessorial fees and surcharges are eligible for a discount—be proactive in finding those hidden ones that can cost you a significant amount over the life of your agreement.

High Minimum. You did a great job of obtaining a good discount off of list rates for your base shipping rates and are expecting to save a lot of money. While looking over the rates, you notice that a large portion is the same, which just happen to be your minimum that you failed to spend much time evaluating. Even if you think you ship very few light/low zone packages, which are generally priced at the minimum, you need to look at your finalized rates to see what the impact of the minimum is.

DIM Divisor. Consideration of your DIM divisor is especially important if you are switching your carrier or have plans to shift the mode of your shipments. With the recent announcement of FedEx going to dimensional weight pricing for SmartPost, this becomes even more important to consider for all carriers and modes.

Return Services. When you are looking through your contract proposal, make sure you look for return service codes. These can easily be overlooked or simply left out of a contract. When these are left out, you are stuck with paying list prices for returns or discussing these with the carrier after the agreement has been finalized.

Flexibility Killers. To totally optimize your shipping options, you need to ensure flexibility in your contract. Some of these are very apparent and some you have to read carefully to discern. Three areas of flexibility that can cause a lot of headaches over the life of your contract if you're not careful are (a) locking up 100% of your packages to get the desired discounts, (b) large contract termination fees, and (c) terminology that does not allow you to bid your business until very shortly before the end of the contract. While some of these may not be avoidable depending on your situation, before signing your contract you must understand what these fully mean to you and any desired flexibility.

To know how to fully analyze the impact of these different pieces of your contract, it is pertinent to have good data at a level that will allow for modeling to be done. Navigating through all the pieces of the contract can seem extremely overwhelming at times. While there are many things to consider, this will hopefully help you gain some confidence and look for a few things that are often overlooked or hidden in the details of your parcel agreement.

CVS Adds Home Delivery with Help From Post Office

By Sharon Terlep, WSJ, 6/19/2018

Drugstore giant seeks to keep pace with Amazon, rivals, by having Postal Service pickup prescriptions at stores and deliver them to homes

CVS Health Corp. has enlisted the U.S. Postal Service for a new home delivery service, as the drugstore giant strives to stave off Amazon.com Inc. and other rivals. CVS struck a deal with the Postal Service to pick up prescriptions at CVS stores and bring them to customers' homes in one or two days. Customers will be charged $4.99 per delivery, which could include over-the-counter products such as aspirin or face wash. CVS is rolling out the nationwide service as it fights falling sales in its roughly 9,800 pharmacies and braces for potential competition from Amazon, which has considered launching a prescription offering and has made a bigger push into medical supplies. CVS is also facing competition from venture-backed startups like PillPack Inc. and Capsule Corp., which provide home delivery of medicines.

CVS executives last year said they would launch the service but didn't say how they would handle the last-mile delivery, an expensive service that has vexed many businesses. It has chosen the Postal Service to carry out a mission that other major retailers have tasked to parcel giants like United Parcel Service Inc. or FedEx Corp. —or turned over to startups. Target Corp. last year paid $550 million to acquire grocery delivery startup Shipt Inc., in an effort to quickly expand shipping services. Walmart Inc. plans to offer grocery delivery in 100 cities by the end of the year. It is using several services that use contract workers similar to Uber, and a handful of stores is testing a program in which store workers deliver some orders placed on Walmart.com.

For years, filling prescriptions was a reliable way for CVS to draw shoppers to its stores, where it could also sell other items. Last year, retail accounted for about 40% of the company's total revenue. As the pharmacy industry shifts, CVS has focused on the insurance and pharmacy benefits businesses, including a $66 billion bid for insurer Aetna Inc. CVS offers mail-order prescriptions through its pharmacy-benefits manager. Amazon relies on the Postal Service to deliver about half of its U.S. packages every day, according to analysts' estimates. The service Amazon primarily uses requires the shipper to sort its packages by ZIP Code and postal route and drop off the parcels at the closest post office for delivery. Letter carriers bring the boxes to recipients' doors.

CVS, by having the Postal Service pick up packages at stores, will avoid the logistical challenge of getting packages to the post office. Still, the Postal Service's network was built for letters, not parcels. The deal also comes at a time that President Donald Trump has criticized the quasigovernmental agency's dealings with Amazon and launched a task force to examine its finances.

UPS, Teamsters agree to cut use of rail, rely more on sleeper team drivers

Tentative five-year contract, still subject to ratification vote, also creates new class of combination driver.

By Mark B. Solomon, DC Velocity, 6/22/2018

The tentative five-year contract agreed to late last night by UPS Inc. and leaders of the Teamsters union's small-package division calls for a significant reduction in intermodal use in favor of expanding the number of two-person "sleeper team" drivers operating over the road.

Under the tentative agreement, UPS will switch "many loads" currently moved by railroads to what the union, in a communiqué last night, referred to as a significant number of "newly created" sleeper teams. UPS' sleeper teams will be paid at levels that far surpass what any teams receive elsewhere in trucking, the union said. The proposal would create 2,000 full-time Teamsters jobs, according to the union. Atlanta-based UPS has operated with over-the-road sleep teams for a number of years.

Depending on the amount of converted volume, the provision could be a blow to the nation's railroads. UPS has long been one of the largest, if not the largest, individual users of intermodal services. The company would not comment on how much traffic moves via intermodal.

The tentative compact, which is being referred to as a "handshake" or an "agreement in principle," calls for a $4.15-per-hour wage hike over five years for full-time Teamsters workers. In addition, the agreement establishes a classification of a full-time "combination driver," who will receive $20.50 an hour as a starting wage and max out at $34.79 an hour by Aug. 1, 2022. UPS' unionized part-timers will be paid a starting rate of $13 an hour, which will escalate to $15.50 as of the 2022 date.

(To continue reading this article please click on the link provided) http://www.dcvelocity.com/articles/2018622-ups--teamsters-agree-to-cut-use-of-rail--rely-more-on-sleeper-team-drivers/

Quotable

"If I don't have those relationships in place, it's going to be fire drills to get my freight to market."

— Lisa Harrington, Lharrington Group LLC

Transportation Management
Multi-modal Service
Carrier Management
Auditing Services
Supply Chain Coordination

Supply Chain Management
Supply Chain Engineering;
Collaboration;
Leadership
Strategic Management
Consulting

Profit Improvement Plan
Leverage Opportunity Analysis
Baseline Measurement
Profit Improvement Measurement

As Shipping Costs Soar, Supply Chains Get a Makeover

Hormel ships less often; Dollar General is building out its fleet as freight prices go up By Erica E. Phillips & Jennifer Smith 6/17/2018

Retailers and manufacturers are taking stock of their transportation costs and exploring alternatives as a capacity crunch in freight is driving up prices and causing shipping delays. A variety of companies, including food producer Hormel Foods Corp. and retailer Dollar General Corp., have reconfigured their supply chains, including building out their own truck fleets, reducing the frequency of pickups and deliveries, and shopping around for better rates. Freight rates have been climbing in recent months, making it harder and costlier for shippers to book transportation at a time of year when demand is typically lighter. U.S. trucking and rail-freight spending rose 17.3% in May compared with the same month in 2017, according to the Cass Information Systems Inc. index for freight expenditures. In recent comments to investors, retailers including Costco Wholesale Corp. and Dollar General as well as food manufacturers Hostess Brands Inc. and Hormel have said freight costs weighed on profits this year.

As strong consumer spending and steady economic growth push higher volumes of goods through logistics networks, many truck fleets, facing historically low unemployment, have said they are turning down cargo loads because they don't have enough drivers to haul goods. Retail and manufacturing businesses that ship lots of goods say they are taking more control over their transportation and warehouse operations and looking to offset logistics costs with savings from other parts of the supply chain. "We're thinking about minimizing miles, maximizing weights, how many days a week do you need delivery," Hormel Chief Executive James Snee told investors during a May 24 earnings call. Mr. Snee said the food company is working with its customers to reduce the frequency of shipments after the company's per-unit freight costs rose by double digits in the first quarter. "Our customers are very open to those discussions," he added.

Food distributor US Foods Holding Corp. told investors that it is sending its own trucks out to make pickups whenever possible, so it can avoid paying rising fees for third-party delivery. Meat processor Smithfield Foods started building out its private trucking fleet about five years ago as a way to handle more of its own transportation and deliveries and reducing its warehouse space. Dennis Organ, senior vice president of supply chain at Smithfield, said the company invested in technology that brought more of its operations under one unified software system. Given the current market conditions, Mr. Organ said, "We're in a relatively good spot—it's definitely hit us, but we're not dealing with that perfect storm."

Analysts expect it will get harder and more expensive for companies to ship goods as demand increases in late summer and early fall, when shipping volumes typically peak. "Seasonal shippers are struggling to cover volumes as the weather warms up and beverage season unfolds," Morgan Stanley transportation analyst Ravi Shanker wrote in a research note. Shippers, carriers and brokers polled by the bank expect truckload rates to rise 6.4% on average this year. To control costs, shippers are "going to have to put more time, energy and effort into it than they have in the past," for example, by adding more transportation staff, said Paul Thompson, founder of logistics-services firm Transportation Insight LLC. "It's no longer one phone call to find an inexpensive option."

Dollar General is diversifying the group of trucking companies it uses to drive more competitive pricing. The discount retailer also has been expanding its private fleet of trucks, and adding distribution centers to its network, which cuts down on the number of miles it needs goods-haulers to run. Rising transportation costs come as suppliers like Hormel are also under increased pressure to deliver goods on time. Recently, retailers like Kroger Co. and Walmart Inc. started narrowing delivery windows and imposing fines for inaccurate shipments. But in April, amid an increasingly tighter freight market, Walmart eased its rules slightly for some deliveries. Food, household goods and health products can arrive at regional distribution centers one day ahead of schedule, though the option doesn't apply to deliveries to other types of distribution centers.

Analysts say large retailers and manufacturers have an advantage in the current market because they have contracted rates for much of their freight and don't have to rely on the spot market, where shippers book last-minute transportation and pricing is more volatile. But surging volumes mean some carriers are turning down loads that take them out of their way or refusing to deliver to locations known for long wait times at the loading dock. The "capacity issue has risen its ugly head," Joel Grade, chief financial officer for food-service distributor Sysco Corp., said last week at an investor conference. Some of Sysco's carriers haven't been sticking to their contracted lanes, he said, and "we've ended up having to actually jump into the spot market more often than we normally would."