OUTSOURCE

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THE SOURCE

Why automated vehicle technology holds enormous potential—for truckers and the motoring public

By Medium.com/trucking (the American Trucking Association BLOG) 9/14/2018

Inside this issue

ATA President and CEO Chris Spear testified before a Senate committee yesterday on the potential of automated truck safety technology, as the committee prepares legislation to regulate the testing & deployment of automated vehicles. Spear made the case for why autonomous vehicle technology holds enormous potential for the trucking industry, its drivers and the motoring public.

With 94% of highway accidents attributed to human error, the successful deployment of AV technology can drastically reduce fatalities on the road. Moreover, the technology can deliver significant returns by **reducing traffic congestion, improving driver productivity** and **decreasing emissions** through lower fuel burn.

"I hope my testimony will help unwind some of the myths about automation and our industry, will demonstrate why trucking needs to be at the table as the roadmap for automated vehicles is being written."

Here are some key moments and takeaways from the hearing:

"Autonomous" does not mean "driverless." What we are talking about is "driver-assist" technology. AV technology has the potential to dramatically expand the skill sets of drivers and technicians, making them more marketable across other sectors and industries, and ushering in a new generation of talent for trucking. An analogy can be drawn between AV technology for truckers and autopilot technology used by airplane pilots.

In providing recommendations to the Committee and the regulatory agencies it oversees, Spear drove home three major points:

The federal government must have sole authority to regulate AV technology. As trucks cross state lines countless times daily, the rules of the road must be the same across the country in order to maintain interstate commerce and facilitate the free flow of goods.

Federal agencies must commit to supporting innovation for *BOTH* commercial and passenger vehicles. We all share the road, and the deployment of autonomous vehicles for both the commercial sector and automotive sector should be seamless.

Federal agencies must coordinate their missions with respect to automated vehicles. This technology would be greatly enhanced by vehicle connectivity using the 5.9 GHz spectrum, fully unlocking its potential to improve safety and reduce traffic congestion.

Bottom line: The innovation taking place today will drive this process. It is essential that Congress and regulators create a legal framework that enables innovation to continue at all levels of autonomous vehicle technology, so that commercial fleets, professional drivers and the motoring public can reap the benefits.

Maersk to combine liner, supply chain units into one product By Supply Chain Quarterly Staff | September 21, 2018

Danish shipping giant A.P. Moller-Maersk said it will integrate its liner shipping service and its Damco supply chain services operations and sell them starting Jan. 1 as Maersk products and services, the latest step in the company's multi-year strategy to position itself as an end-to-end supply chain management provider instead of just an ocean freight carrier. In addition, Maersk said that, effective Oct. 1, it will combine its three regional carrier brands, MCC Transport, Sealand, and Seago Line, under one company that will be named "SeaLand - A Maersk Company". The Copenhagen-based carrier said the new structure will help strengthen brand recognition and ensure clarity for customers.

Maersk's integrated operation will be run by Vincent Clerc, the company's chief commercial officer. Damco CEO Klaus Rud Sejling was named to the new post as head of Maersk's Logistics and Services Products, reporting to Clerc.Damco's freight forwarding business, which serves customers requiring air freight services or multi-carrier options in ocean freight, will continue to be run as an independent business under the Damco brand. The move will enable the unit to focus solely on freight forwarding, Maersk said. Damco COO Saskia Groen In't Woud was named the CEO of the freight forwarding unit.

In February, Maersk CEO Soren Skou laid out an ambitious strategy to transform the company over the next 3 to 5 years into a global integrated logistics provider carrier to match the likes of FedEx Corp., UPS Inc., and DHL Express. Skou has said the overarching mission is to deliver simplified, interconnected, end-to-end services with Maersk being the customer's only point of contact. Maersk plans to expand or deepen penetration in areas like trade finance and facilitation, and warehousing and distribution. A soup-to-nuts strategy would enable Maersk to charge a decent premium for its services and make it less reliant on volatile freight rates for its profits, Skou said at the time.

ExxonMobil to Join Oil and Gas Climate Initiative

By: AJOT | Sep 21, 2018

IRVING, Texas - ExxonMobil today said it will join the Oil and Gas Climate Initiative (OGCI), a voluntary initiative representing 13 of the world's largest oil and gas producers working collaboratively toward solutions to mitigate the risks of climate change. The CEO-led organization focuses on developing practical solutions in areas including carbon capture and storage, methane emissions reductions and energy and transportation efficiency. As part of the initiative, ExxonMobil will expand its investment in research and development of long-term solutions to reduce greenhouse gas emissions as well as partnerships and multi-stakeholder initiatives that will pursue lower-emission technologies.

"It will take the collective efforts of many in the energy industry and society to develop scalable, affordable solutions that will be needed to address the risks of climate change," said Darren Woods, chairman and chief executive officer of ExxonMobil. "Our mission is to supply energy for modern life and improve living standards around the world while minimizing impacts on the environment. This dual challenge is one of the most important issues facing society and our company."

ExxonMobil has invested billions of dollars in researching and developing lower-emission solutions, including carbon capture and storage technology, next-generation biofuels, cogeneration and more efficient manufacturing processes. Earlier this year, ExxonMobil announced initiatives to lower greenhouse gas emissions associated with its operations by 2020, including reducing methane emissions 15 percent and flaring by 25 percent. Since 2000, ExxonMobil has spent more than $9 billion to develop and deploy higher-efficiency and lower-emission energy solutions across its operations.

OGCI was established following the 2014 World Economic Forum and formally launched at the United Nations Climate Summit the same year. Members include BP, Chevron, CNPC, Eni, Equinor, ExxonMobil, Occidental Petroleum, Pemex, Petrobras, Repsol, Royal Dutch Shell, Saudi Aramco and Total.

TRIVIA QUESTIONS

OUTSOURCE THE FREIGHT MANAGEMENT COMPANY

1) What is the circumference of the earth at the equator?
A. 32,283 miles **B.** 28,714 miles **C.** 24,874 miles **D.** 21,038 miles

2) What is the circumference at the Poles?
A. 32,059 miles **B.** 24,860 miles **C.** 24,239 miles **D.** 22,560 miles

3) How many nautical miles by ocean does a container move between Shanghai China and Charleston SC?
A. 15,223 **B.** 13,200 **C.** 12,855 **D.** 10,170

4) What is a nautical mile compared to a linear mile? "1 nautical mile = how many miles?"
A. 1.15 **B.** 1.9 **C.** .95 **D.** 1.3

5) How fast are containerships designed to travel while at sea, on average?
A. 21 knots **B.** 13 knots **C.** 16 knots **D.** 20 knots

6) How far does 1 gallon of diesel move a containership (approximately)?
A. 250 feet **B.** 100 yards **C.** 1/4 mile **D.** 45'

Answers Later In The Newsletter

FUEL REPORT

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

	9/3/18	9/10/18	9/17/18	Change from week ago	Change from year ago
U.S. National Average	$3.252	$3.258	$3.268	↑0.010	↑0.477

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Fuel Surcharges, why are they needed and when did they begin?

A fuel surcharge is a way of adjusting the amount paid to move freight by taking into account significant variation in fuel prices, compared to historical levels. It is a method for sharing or transferring risk. Most carriers and shippers participate in a fuel program of some kind. This is not surprising in an industry where carrier profits are razor thin and the risk of volatile fuel costs is ever-present.

In standard truckload contract negotiations, the shipper publishes a fuel surcharge schedule along with their request for lanes to be serviced. The carrier offers a bid, given the lane and fuel surcharge economics. In some situations, a carrier will offer their own fuel surcharge schedule.

How Fuel Surcharges Work

Fuel surcharges are made up of three main components: index, peg, and escalator. Each of these components influences how surcharges are applied and the extent to which the carrier and/or shipper bears the cost. Trucks average between 5 and 7 mpg (depending on how the truck is driven), so fuel is a large part of the cost of truckload transportation (see Table 1). Fuel surcharges kick in when the price of fuel goes up for an extended period.

When fuel costs rose to $1.20 in August 1999 and continued to rise, surcharges became common practice. At that time, fuel was about $0.20 of the total cost per mile. By the time it reached $3.90 a gallon, the cost had risen to over $0.65 per mile. Fuel was no longer a cost of doing business for the carriers but a cost the cargo owner had to start adding to their landed costs.

Airbus Looks Windward, Will Put Sails on Ships Moving Plane Parts

The jet maker will use wind power to move cargo from Europe to Alabama in the latest effort by companies to cut costs and emissions in ocean transport

European plane maker Airbus SE in a bid to trim its logistics costs, is turning to wind power on the big ocean-going cargo ships it uses to move aircraft parts around the world. The world's No. 2 aircraft manufacturer after Boeing Co. said it would equip one of its three roll-on, roll-off vessels with new sail technology that operates essentially like a kite. The massive, 5,382-square-foot sail should help Airbus save more than 1 million euros ($1.2 million) in annual fuel spending and cut carbon dioxide emissions by about 8,000 metric tons a year. The device is the latest in an array of technologies shipping companies are using to cope with rising fuel costs as the International Maritime Organization implements rules to reducing pollution at sea. The IMO, which sets standards for the shipping industry, is targeting a 30% improvement in energy efficiency in the global fleet.

Denmark's Maersk Tankers recently installed nearly 100-foot-tall cylinders that harness wind power on one of its tankers. The technology could cut 7% to 10% of a ship's fuel use under certain conditions. The marine unit of Britain's Rolls-Royce Holdings PLC also has considered working on sails for ships, although currently the business is focused more on other technologies, such as battery energy storage. Airbus tested a smaller version of the sail last year before deciding to install the device on its cargo ship, the Ville de Bordeaux. The upgraded vessel will set sail in 2021 to bring parts from Europe to Mobile, Ala., where Airbus assembles some of its popular single-aisle planes, said Benoît Lemonnier, head of logistics and transport for Airbus. The device, which developer Airseas calls a Seawing, should cut fuel burn around 20% and reduce carbon dioxide emissions by about the same amount during the roughly 13-day journey, Mr. Lemonnier said. The savings are part of Airbus's effort to boost the competitiveness of the U.S. facility.

Airseas, a Toulouse, France-based spinoff of Airbus, has held talks with other shipping companies to use the technology, says Vincent Bernatets, who left Airbus last year to set up the venture. The company has developed a larger, 10,764-square-meter sail for larger vessels. Mr. Bernatets said the company had three letters of agreement with big shipping firms to develop the system. He wouldn't identify those companies but said Airseas is working on converting those deals into contracts. In addition to the kite, the system includes weather sensors that alert the ship captain when to deploy the device and how to route the ship to take advantage of winds, Mr. Bernatets said. Once the system is deployed, the captain can throttle back power of the onboard engine. Airseas projects a five-year payback period for users for the upfront investment.

US shippers advised to extend hours to add truck capacity

By Ari Ashe, Associate Editor, William B. Cassidy, Senior Editor | Sep 21, 2018

Imagine how much US truck capacity could be unlocked with weekend hours. Distribution centers (DC) might be closed, but truckers are always on the road. But what if more DCs were open? "If you did a survey of how many drivers are willing and able to run on a Saturday and Sunday but can't because none of the warehouses are open, you'd be surprised by the results," said Andrew Nutting, a logistics executive formerly with Bob's Discount Furniture and TJX Cos.

Making space available on weekends may mean additional costs, but it also creates much needed capacity and flexibility for truck driver hours. "Companies need to make more decisions to open up capacity rather than restrict it, or else costs will keep going up," Nutting said. "There's tons of money to be made on the weekends," said Brian Reed, CEO of Laguna Consulting and a former transportation and supply chain executive with Niagara Bottling. "I'm surprised more people haven't gone beyond five days. It's a mental thing for people. The world operates 24/7 today. If you've stuck with a five-day week, you've just been lucky." A Northeastern US food manufacturer said it took about six months to roll out a weekend work schedule a few years ago. "It's not too hard to assemble a skeleton crew on Saturdays and Sundays," the logistics manager of the company said. "Trucking companies will offer pretty good rates to keep their drivers moving on the weekends, so it's a win for everyone."

Forecasts of freight moves help

Speaking of time, allowing your motor carriers to plan ahead can lead to better rates. The Northeastern food manufacturer offers a 12-day lead time to carriers. SanMar, an apparel shipper, sends out a three-week rolling forecast to carriers containing a preview of what freight volumes will look like. That's extremely helpful in the electronic logging device (ELD) era. "For the next 12 to 18 months, forecasting will be the biggest challenge you have," said Andrew Lynch, president of Zipline Logistics. "Forecasting is the hardest thing to do for every department. But real-time management and building flexibility and setting expectations the right way, those are things you can achieve to get what constitutes success today."

Another way to open capacity is to plan three-dimensionally. Dry-van trailers are 53 feet long, 8.5 feet wide, and 9 to 10 feet high. Shippers concentrate on length and width, but often ignore height as pallets are only stacked 5 feet high. Shippers waste valuable space if they leave the upper half empty, unless the trailer hits the weight maximum beforehand. "If we used 10 percent more space on each truck, then we would use 10 percent fewer trucks," an e-commerce shipper said. Better utilization means "fewer yard moves, less yard space, less equipment usage. Full utilization of trailers isn't discussed enough. If you're worried about your budget, fill your trucks better."

Answers to Trivia

FOR IMMEDIATE RELEASE September 18, 2018

ATA Hails Inclusion of Hair Testing Requirements in Senate-Passed Opioid Bill

Bill directs HHS to expedite release of hair testing guidelines

Arlington, Virginia – Yesterday, with the strong support of the American Trucking Associations, the U.S. Senate passed comprehensive legislation aimed at combating the nation's opioid crisis. The bill, which cleared the Senate with overwhelming bipartisan approval, includes provisions on hair testing which ATA has long advocated for and worked closely with Senate Commerce Committee staff to secure in the legislation. The bill would direct the Substance Abuse and Mental Health Services Administration to report to Congress on its progress issuing guidelines for hair testing. Upon enactment, the Secretary of Health and Human Services would be required within 30 days to report to the Commerce Committee on the status for hair testing guidelines, the reasons for delay in issuing guidelines, and a schedule – complete with benchmarks and an estimated date of delivery – for completion of the guidelines. The bill also contains reporting requirements on the development of the Drug and Alcohol Clearinghouse and a deadline for completing work on oral fluids testing.

"We thank Senator Thune and his staff for their continued persistence and commitment on this issue of hair testing," said **Bill Sullivan, ATA's executive vice president of advocacy**. "Our fleets need to depend on – and need the government to recognize – the most accurate, reliable and failsafe drug testing methods available. The time has come to get this done."

Federal law requires trucking companies to drug test new drivers and randomly test existing drivers. Currently, SAMHSA only recognizes the test method of urinalysis, despite the inherent advantages of hair testing, which provides employers with a longer detection window, easier collection and results that are harder to adulterate. The FAST Act required HHS to issue scientific and technical guidelines for hair testing by December 4, 2016 – a deadline which was missed. The Senate must now reconcile the bill it passed yesterday with a companion bill in the House of Representatives before it can be signed into law by the President.

House and Senate Committee leaders announce agreement on long-term FAA and disaster program reform legislation

By: AJOT | Sep 24, 2018 at 09:51 AM | Air Cargo News

Washington, D.C. - House and Senate Committee leaders tonight announced that they have reached a bipartisan final agreement on legislation that provides long-term stability and critical reforms to the Federal Aviation Administration (FAA) and transforms federal disaster programs to better prepare communities for disaster. The agreement also includes a reauthorizations and reforms of the Transportation Security Administration (TSA) and the National Transportation Safety Board (NTSB). The announcement was made by House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA); House Transportation and Infrastructure Committee Ranking Member Peter DeFazio (D-OR); Senate Commerce, Science, and Transportation Committee Chairman John Thune (R-SD); and Senate Commerce, Science, and Transportation Committee Ranking Member Bill Nelson (D-FL).

"The FAA needs the long-term certainty provided by this bipartisan agreement, and America's airport infrastructure, air travelers, and innovators across our aerospace industry will benefit from these improvements," Shuster said. "In addition, this agreement will provide the most comprehensive disaster program reform since the post-Katrina law. I thank my Senate and House colleagues for working to finalize this agreement, and I look forward to passing the bill next week."

"After several weeks of negotiations, I am pleased that we can announce a bicameral, bipartisan multi-year reauthorization of the FAA. This important legislation provides the FAA with the long-term funding it needs to carry out its safety mission and guarantees that the United States will continue to lead the world in all-things aviation. This legislation also includes critical provisions, many of which I have called on Congress to enact for years, that ensure the safety of our aviation system and that provide protections for the hundreds of millions of U.S. passengers and crewmembers who fly each year. For example, the bill includes a provision I authored that provides a pathway to ensuring safe and secure drone operations. The bill also mandates the first change in 24 years to flight attendants' rest period, ensuring they receive 10 hours of rest between duty periods and thereby improving aviation safety. And the bill enhances the travel experience for passengers: It directs the FAA to issue regulations creating minimum dimensions for passenger seats, it prohibits airlines from involuntarily removing passengers from flights after they've cleared the boarding gate, and it requires airlines to communicate better with customers during mass flight cancellations and groundings. While this legislation isn't perfect, it is the product of a strong bipartisan effort that will improve and advance the U.S. aviation system for years to come," said DeFazio.

"This five-year authorization improves our aviation system for travelers, manufacturers, and innovators," said Thune. "It also strengthens the overall safety and security of our transportation system. I expect the House and Senate will now move quickly to send the president a bill he can sign."

"Leaders don't make excuses—-they make improvements."

Marina Barragan, Desert Mirage High School student, testifying during an EPA hearing on updating the ozone pollution standard.

UPS to hire 100K for holiday blitz September 17, 2018

UPS plan to hire about 100K seasonal employees to support the anticipated increase in package volume that will begin in November and continue through January 2019.

The company says the seasonal positions an entry point for permanent employment at UPS in the past.

Last year, UPS added about 95K temporary positions for the holiday rush.

Source: Press Release

Section 301 Tariffs

Definition - Section 301 of the Trade Act of 1974 provides the United States with the authority to enforce trade agreements, resolve trade disputes, and open foreign markets to U.S. goods and services. It is the principal statutory authority under which the United States may impose trade sanctions on foreign countries that either violate trade agreements or engage in other unfair trade practices. When negotiations to remove the offending trade practice fail, the United States may take action to raise import duties on the foreign country's products as a means to rebalance lost concessions. (as stated on the Department of Commerce's International Trade Administration's website.)

Section 301 Tariffs – Recent Developments

Tuesday, September 18, 2018 (From The National Law Review, www.natlawreview.com)

In the past few months, the United States has rolled out three lists of Section 301 tariffs that it has imposed, or will soon impose, on products being imported from China. For each list there has been, or will soon be, both a public comment period – during which companies could ask for specific tariff lines to be removed from the proposed list of tariffs – followed by a product exclusion process – during which companies can ask that specific products imported under an effected tariff line to be excluded from the higher duty rates.

In the past 24 hours, there have been three significant developments:

1) The Trump Administration finalized List 3 of the Section 301 tariffs. Approximately 300 of the proposed 6,300 List 3 tariff lines were removed as a result of public comments. From September 24-December 31, 2018, products on List 3 will face an additional 10 percent duty. Starting on January 1, the additional tariffs on these products will increase to 25 percent.

2) This morning, China announced it would retaliate against the United States' most recent action by imposing 5 or 10 percent tariffs on approximately 5,200 U.S. products worth $60 billion.

3) The Office of the U.S. Trade Representative ("USTR") announced a product exclusion process for List 2 of the Trump Administration's Section 301 tariffs via the Federal Register. Similar to the product exclusion process for List 1, requesters are encouraged to file using a yet-to-be-released form from USTR and asked to address whether (1) the product is available only from China, (2) the increased duties would cause severe economic harm to the requester or other US interests, and (3) the product is strategically important or related to "Made in China 2025" or other Chinese industrial programs. If an exclusion is granted under this process, it would apply retroactively to August 23. The product exclusion requests will be due December 18.

Finally, there are reports that China may cancel high-level bilateral meetings tentatively planned for later this month.

CONECT (Coalition of New England Companies for Trade)

www.conect.org

17th annual Cargo Symposium November 15, 2018 8 AM—7:15 PM

Biltmore Hotel, 10 Dorrance St, Providence, RI

Agenda includes - China Tariffs: CBP Initiatives: Truck/Rail/Air issues; Ocean Carrier Challenges: Cargo Shipper Outlook

Contact Karen Pim at 508 481-0424 or at Karen@conect.org

Check to see if your import products are listed

Finalized List 1: https://ustr.gov/sites/default/files/enforcement/301Investigations/List%201.pdf

Finalized List 2: https://ustr.gov/sites/default/files/enforcement/301Investigations/Final%20Second%20Tranche.pdf

Finalized List 3: https://ustr.gov/sites/default/files/enforcement/301Investigations/Tariff%20List_09.17.18.pdf

President Announces Re-negotiated South Korean Trade Pact

Donald Trump has signed a revised trade pact with South Korea, aimed at expanding opportunities for US carmakers and pharmaceutical companies. South Korea and the US are major trade partners, exchanging nearly $155bn in goods and services in 2017.

Details of the deal

The US started negotiations with South Korea last year, following Mr Trump's criticism of the 2012 deal as a "one-way street". Under the new terms, South Korea has agreed to exempt up to 50,000 cars per US manufacturer per year from South Korean safety requirements - double the current number and far higher than any American company currently exports.

The country has also agreed to changes such as improvements to its customs procedures and amendments to its drug pricing policies.

The agreement also extends a 25% US tariff against South Korean trucks to 2041. It had been scheduled to expire in 2021.

Separately, the US agreed to exempt a certain amount of South Korean steel from the 25% tariffs Mr Trump announced in March - equivalent to 70% of the country's average imports from 2015-2017.

Tariffs - a knotty problem for forest products industry

By: George Lauriat | AJOT Issue #675 | Sep 24, 2018 at 09:20 AM | International Trade

The US-China trade dispute is shifting the supply and demand channels for the forest product industry. Sans oil, there are few commodities whose trading complexities rival forest products. It is a ubiquitous commodity essential to modern civilization. As is the trade in forest products, which is caught in the maelstrom of an ever-widening trade war. Given the scope of the forest product industry, it is no surprise Trump's trade war with China, Canada and other trade partners has hit the sector like an axe slamming into a tree trunk with global reverberations. In the case of forest products, it is really a trade war on two fronts with global ramifications: Canada and China. Each dispute is quite different from the other, aside from the Trump Administration view that the United States has been treated unfairly by their trading partner.

In the case of Canada, the disagreement over softwood lumber exports to the U.S., almost surprisingly, pre-dates President Trump. (See Leo Ryan on this page) And in China's case, forest products are simply part of the much wider political and economic quarrel between Washington and Beijing.

Even as this article is being written, another escalation in the U.S.-China trade war of dueling tariffs is to commence. On September 17th, the U.S. announced it would impose tariffs on another $200 billion in Chinese imports. In a statement, President Donald Trump announced he has directed U.S. Trade Representative Robert Lighthizer to impose the new tariffs in response to what he said are unfair trade practices by China. The tariffs will take effect on September 24th at an initial rate of 10%. This rate will increase to 25% on January 1st if no agreement is reached between the two economic super powers. Chinese Foreign Ministry spokesperson Geng Shuang said China "will have to take necessary countermeasures." Among the "counter measures", China announced September 18th it would levy a 10% tariff on LNG exports – a move that could easily make US LNG from the Gulf uncompetitive with potential imports from the Middle East or Australia.

With the new tariffs, the Trump Administration has placed a tariff on $250 billion worth of Chinese goods or approximately half of the value of China's exports to the US. China has retaliated with tariffs amounting to the same amount and threatened another $60 billion in retaliation for the new round of tariffs. Following the Trump Administration's July tariff, China announced in August tariffs on a wide range of commodities ranging from 5% to 25%. Included in China's August list for duties was lumber and hardwoods. The duties would be on both low-grade and grade hardwoods and lumber - most U.S. exports are grade. The tariffs are expected to be implemented in October.

U.S. forest products exports rose 9% in 2017, compared to only a 1% increase in 2016 and a sharp 16% drop in 2015. The main reason for the rebound was China. Exports to China, the largest U.S. trade partner for forest products, were up 21% from 2016. Producers of southern yellow pine exported 41% more to China in 2017 than they did in 2016.

But softwoods weren't alone in the rebound. The import value of US hardwood products to China reached a record high of US$323 million in 2017, up 3.4% year on year. In the first quarter of this year, the export value hit US$138 million, an increase of 36.7% year on year, according to statistics from the American Hardwood Export Council (AHEC). Currently, U.S. hardwoods amount to about 10% of Chinese imports, according to the AHEC. Last year, shipments to China included US$1.6 billion in hardwood lumber, $800 million for hardwood logs and $260 million for veneer. The impact the tariffs have had on wood product trade between the U.S. and China is just beginning to show statistically. According to China Customs, the value of wood products trade between China and the U.S. fell 16% in March 2018 with wood product imports dropping by 5%. However, during the first quarter of 2018, China's wood product exports, grew by 9% with imports climbing 6% to $2.28 billion and exports 10% to $3.98 billion.

But on some wood products the tariffs are having an effect. Late last year the U.S. hit China's plywood industry with countervailing duties after a Commerce Department analysis showed the engineered panels were being sold at its cost below cost of manufacture. In 2017 the International Trade Commission (ITC) issued its final determination, activating significant tariffs - nearly 200% - on some imports of Chinese hardwood plywood, voting 4-0 that the US domestic industry is materially injured, or threatened with material injury, by reason of these dumped and subsidized imports. Since the duties, China's fiberboard exports to the U.S. fell 11% to 71,200 cu/m and plywood exports to the U.S. dropped 31% to 360,000 cu/m in the first three months of 2018.

Even before the tariffs China's imports of forest products had begun to shift. Since 2016, China's imports of lumber grew much faster than logs. According to the Wood Quarterly Review, in 2017 China's lumber import volumes eclipsed log import volumes by 36%. In prior years, shipments of logs were substantially larger than lumber.

Beneficiaries of Trade War

With the U.S. and China embroiled in an escalating trade dispute, other nations are benefiting. New Zealand and Russia are now the largest supplier of logs to China. In the first quarter of 2018, New Zealand accounted for 25% of total log imports. Imports from New Zealand totaled 3.66 million cu/m in the first quarter of 2018, a year on year increase of 16%. The average prices for imported logs from New Zealand rose 12% to US$142 per cu/m. Russia also benefited by supplying 2.86 million cu/ft or about 21% of China's imports, although the tally was marginally down 1% in the 1st quarter of 2018.

Other countries have also increased their shipments. Nigeria and Indonesia are the main suppliers of Chinese ''redwood'' – wood used in making furniture and other retail wood products. Chinese 'redwood' log imports totaled 990,000 cu/m, worth $914 million in 2017, up 24% in volume and 12% in value. Around 45% of Chinese "redwood" log imports were from Nigeria in 2017 despite the log export ban and were worth US$329 million. Other countries like Vietnam and Malaysia have similarly benefited from China's purchases.

Currently China's furniture makers and other wood processing manufacturers are undergoing a structural change similar to the experience in the iron and steel industry. Modernization – particularly moving from coal to gas or oil – in the plants is forcing older manufacturers out of business. The industry dislocation is dumping product into the market as was noted in the ITC manufactured wood decision. With the trade war escalating, it is likely that both China's inputs like lumber and logs will come from sources other than the U.S. and outputs like furniture and manufactured wood products will seek markets other than the U.S.