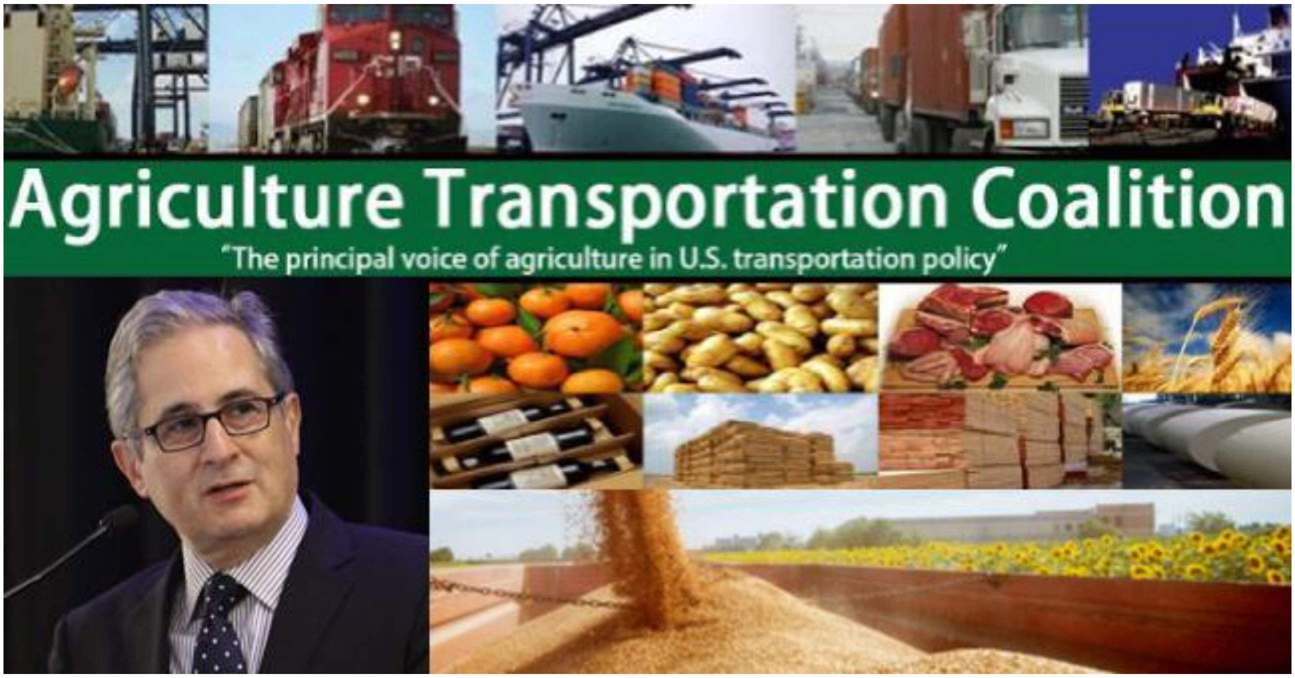

Talking Trade with AgTC's Peter Friedmann

The executive director of the Agriculture Transportation Coalition discusses port congestion, demurrage and detention fees, and ongoing China tariffs on agricultural goods.

By Chris Gillis | Apr 23, 2019

Peter Friedmann started the Washington, D.C.-based Agriculture Transportation Coalition (AgTC) more than 30 years ago with the goal of pursuing favorable U.S. transportation policy among truck, rail, port and ocean carrier practices for the nation's agricultural and forest products shippers. He has served as the trade association's executive director ever since.

Today, as the AgTC prepares for its [31st annual meeting] in June, the trade association is larger than ever, with more than 500 members covering a variety of agricultural products, such as dried fruit and nuts, beef, poultry, pork, potatoes, french fries, dairy, soybeans, grain, cotton, hay, apples, citrus, wine, table grapes, lumber, onions and paper. AgTC members often are among the most outspoken shippers when it comes to matters of trade policy and regulations that impact their supply chains.

The *Adam Smith Project* recently sat down with Friedmann to discuss myriad trade topics, from U.S. port congestion, demurrage and detention fees, and container equipment availability to the International Maritime Organization's upcoming low-sulfur fuel requirement, the EU's block exemption, crippling congestion on the U.S. border with Mexico and ongoing China tariffs on agricultural goods.

Q: The Federal Maritime Commission continues to pursue its demurrage and detention investigation, with the goal to bring more clarity and certainty to this costly scenario for shippers. What's your overall view on the objectives of the FMC investigation and do you think it gets to the heart of the issue? Do you believe the eventual outcome will reduce costly and unnecessary instances of demurrage and detention assessments for shippers?

A: First, before we get started with our observations and action items, and believe me we have plenty, let me emphasize our agenda: With regard to detention, demurrage and all other issues, we realize that all of us in the export supply chain are in this together. On one hand, we have never been shy about identifying

and addressing problems, such as VGM (verified gross mass) of containers, which we prevented from being implemented in the U.S., or street-turn fees which some carriers are imposing now. On the other hand, no organization has been more aggressive than the AgTC in attempting to work constructively and directly with the other players in the supply chain. Each year for 17 years, our members, the agriculture and forest product exporters, meet and work with individual presidents of ocean carriers or leadership of longshoreman's locals or marine terminal operators or rail executives or port executives in confidential workshops around the country.

Secondly, before we get started on the specifics, what's our motivation? Simply this: It's been the AgTC mantra for 31 years — there's nothing we produce in agriculture and forest products here in the U.S. that can't be sourced somewhere else in the world and if we can't deliver our exports, affordably and dependably, we will lose those customers. AgTC's mission has always been to make the agriculture export supply chain affordable and dependable. We're not afraid to fight to make it this way.

The demurrage and detention fees that are charged, also known generally as per diem fees, have become an overwhelming burden on U.S. exporters. To a certain extent, importers as well — certainly the truckers. They are the result of the dysfunction which has hit many of our marine terminals nationwide, following the introduction of the massive ships. These ships far outstrip the capacity of terminals to handle the volumes. Terminals are built for 3,000-TEU ships and many of these ships are 12,000, 14,000 and even 18,000 TEUs.

The concept of demurrage and detention fees, of course, is to incentivize a behavior with the cargo owner or a cargo recipient or an exporter or the trucker to move the cargo, containers, trucks and chassis through the system quickly. However, when that behavior is impossible to perform, these fees simply become a penalty, just an additional revenue source for the ocean carriers without accomplishing the intended purpose. They do not effectively incentivize because the ability to perform is denied due to the congestion and factors outside the control of the shipper or trucker. So many of our members are facing not only thousands but hundreds of thousands, in some cases, millions of dollars of detention and demurrage fees.

These [fees] are grossly unfair. Even the carriers' local sales representatives recognize that these are unfair and often have to go to bat with their headquarters, which are often recalcitrant to waive those fees. But they must. The costs to the U.S. export and import community include not only the dollar amount of the fees, but the full-time employees required to seek the waiver of these fees and proving that they are unfairly assessed, and worse, jeopardized relationships with our foreign customers.

For example, if it's not possible to get an appointment at a terminal to return a container within the five days of free time, how is it possibly helpful to impose a penalty on that export or the trucker for not getting that container back into the terminal within the five days?

Some would say that it's like renting a car from Hertz and trying to return it on the due date, but the airport's closed or the parking facility is shut or under construction or the people working at the parking facility have taken a break for a few days. All of these things make it impossible to return the car on time; yet Hertz would really have nerve if it were to impose a penalty fee on the customer. That's what the ocean carriers are doing with per diem fees.

Another aspect which has emerged from the FMC's inquiries is that the marine terminals' fees tend to be just a small fraction of the fee that is actually imposed by the carrier on the trucker or exporter or importer. If the terminal's tariffs show a fee somewhere between $9 and $25, how is the $175 to $200 demurrage detention fee justified? Quite a markup, isn't it?

Frank conversations with current and past senior ocean carrier executives acknowledge the obvious — while freight rates remain extremely low, the demurrage and detention fees have become a significant stream of revenue. Our view is that it's perfectly understandable that if the system is gummed up, the carriers need the revenue, but then they should generate it in their freight rates, not through arbitrary penalties.

There is another aspect, which has emerged in some of our engagement with ocean carriers as we're trying to find some solutions. That is if the carriers believe the problem is that containers are being stored at the marine terminals or stored offsite at importers' warehouses and not being returned fast enough, then the carriers must try to resist the pressure to give dramatic free-time exceptions from the typical five-day free time to its champion importer accounts. I recognize that's a tall order for a carrier that really wants to sign that customer. I fully understand that if you're in the business of carrying cargo and your very biggest customers are demanding something, it is difficult to say no, because the customer can go to another carrier who will give him 10, even 20 days free time. That holds not only for the container, but also the chassis.

The carrier needs to recognize that this preferential treatment has far-reaching effects. The entire supply chain feels the impact when that container and chassis are out of circulation. The ocean carrier should recognize that this will cause truckers to miss appointments. It will cause truckers to bump up against HOS (federal hours of service) regs as they run around trying to find available containers or the carrier's preferred chassis. It will cause additional charges to the exporter for demurrage and detention, leading to pricing the exporter out of the global market, eliminating sales and ultimately eliminating export shipping volumes.

What about the trucker? The AgTC has always been for the shipper, for the U.S. agriculture and forest products exporter. In our early days, the only people who could join the AgTC were BCOs (beneficial cargo owners) and their freight forwarders, because for many of the smaller exporters, the freight forwarder is in fact their export department. We then had a number of our exporter members say that they absolutely wanted the trucker to be a member of the AgTC and at all the meetings because, in fact, the trucker is really the only one who actually knows what's happening at the terminals, both inside and outside.

Oftentimes a trucker has better information than the terminal operator about what's happening because the terminal operator's so focused on what happens inside the gates. But if there's a four-hour line outside the gate and you've got an hour-of-service limitation that forces the trucker to miss its appointment because he can't wait in line that long, thus generating a demurrage, a per diem fee, and then the next appointment is available five days, four days, three days later, after free time has expired, and the per diem piles up.

Now some terminals will say, "We gave you an appointment on the first day. How come you're waiting

till the last day of your five days to get an appointment?" This may be the root of the problem — participants in the supply chain need to care about and learn about the entire ecosystem, the factors that all participants must deal with. If a terminal thinks that the trucker importer, exporter has no other obligations, no other customers, no hours of service or ELD (electronic logging device) restrictions, no production schedules, no harvest timetables, chassis shortages, no Customs and Border Protection inspections, just sitting there with a container waiting to return it, then it needs to understand supply chain realities that all are facing.

We are encouraged, because we've been contacted by the FMC regarding this very question of how does an appointment system work. How can it be made to work? And so forth. So you have a combination of factors that have essentially made marine terminals at some of our largest ports, in many cases, dysfunctional.

Will the FMC attempt to address the issues? FMC Commissioner Rebecca Dye deserves all the kudos in the world for tirelessly pursuing solutions. She has attempted to get the private sector together. I think at the very beginning of her investigation 90 percent of the people that came forward with specifics as to per diem penalties were AgTC members. I'm really proud of our AGTC members. They're not only knowledgeable but they're brave enough to come forward and provide the specific information that the FMC needs. That's terrific. And that is, in our view, the best approach.

Now, will the FMC actually force some solution? Frankly, [FMC] Chairman [Michael Khouri] and Commissioner Dye have suggested that they're not inclined to mandate. However, I'm still hopeful that the carriers will take it upon themselves, as a component of the supply chain, to work with the rest of us in the supply chain to resolve some very critical things [from the investigation's findings], such as a template for when is a container available. We need consensus on when free time should start. In our view, it should not start when the container is still on the ship. It should not start when a container is in a closed area of the terminal and thus not accessible. It should not end before an appointment is even available. These are all things that are logical, make sense. Why can't we achieve at least a consensus among all the participants as to when a container is practically "available"? As carriers are charging the per diem, they should take the lead.

There was some discussion by Commissioner Dye as to the definition of tender. That's a first step. To me, that's a modest first step, because even once you have agreement, you still have all these other forces out there — congestion, the chassis shortage, hours of service, the insufficient footprint of a terminal — all those things that are frankly nobody's fault, but there's some things we can control or at least try. We should do so — now.

But I do not think the commission, at least at this point, is inclined to mandate a solution. And perhaps that's the reason some people in the industry who could contribute to a solution are not jumping to reach some sort of consensus because they are confident that the FMC is not going to make them.

Q: It appears that the inequitable distribution and access to chassis is a more immediate concern for shippers who need to either pick up their import boxes or drop off outbound containers at the marine terminals. Are chassis pool operators failing to keep up with forecasting or understanding where the trade volumes are in the West Coast ports? How does the AgTC believe the persistent headache regarding chassis management will be resolved?

A: answer is a single gray pool. I do not blame the chassis owners for the number of chassis that they own. I believe that their forecasting is probably pretty good — DCLI, TRAC, Flexi-Van and others — in terms of the total number of chassis that are required.

I think there are enough containers. The problem is how they are being deployed. Sometimes that is out of these companies' control — for example, if it takes longer to get a chassis repaired in a longshore yard at the terminal than it does in a location outside the terminal. That takes chassis out of circulation. Another example is if the ocean carrier has told a large importer that "we'll take care of the chassis for you." Then that chassis might sit somewhere where it's not being utilized for a long time. Nationally, that can take thousands of chassis out of circulation.

Now, when we get into the box rules, that's something that can and must be addressed. When an ocean carrier or a terminal says, "I only want my brand of container from my customer or this brand of chassis coming back into my terminal," you have introduced massive complexity and inefficiency into the supply chain. You then have truckers driving from one terminal to another to find that chassis, driving right by other chassis, waiting in line to get into a terminal that might have that chassis, coming back out with that chassis. And that doesn't all happen within an hour or a day. And it becomes even more complex when we have one big alliance ship coming in with multiple carriers on it, each one wanting their container on their chassis and each one having their own terminals elsewhere at the port where their designated chassis may or may not be waiting. So this is a chassis management issue with multiple parties "managing" each chassis.

It means that some chassis, for example, the three or four that the trucker had to drive right by to get the right one, those are not in circulation. He should've been able to pick the first one up and move it. So those other chassis are sitting there waiting for another carrier's instruction to another trucker to find that chassis to pick up a container, which is at yet another terminal. ... Our AgTC members can provide detailed horror stories of what these truckers go through.

To address this situation, the AgTC has developed a relationship with marine terminal operators. The system has long been that the marine terminal operator has a contractual relationship with the ocean carrier, has no contractual relationship with the shipper — exporter or importer. And the terminal does not always understand what that particular exporter's or importer's needs are because either the carrier doesn't fully understand it or they're not talking to the terminal about those things. We've held some workshops — no press — where we've had some of our members working with the marine terminal operator. And in one case, one of our members had 240 reefer containers on a ship — all on one ship. He worked with the terminal operator in advance. That terminal operator was able to pull those boxes off at about 70 crane moves an hour. That's in L.A. and Long Beach. In other words, we got a relationship going between the terminal operator and the exports. We have been doing that with the Port of Oakland and NWSA terminal operators, with Savannah and Charleston. It's something that we've done that I don't think anybody else has done — getting the exporters and importers and the freight forwarders to have the direct relationship with the terminal operator to try to develop better velocity.

Another area that we've put our toes into is developing a relationship with the people who actually physically operate the terminals — the longshoremen. In my view, if there's going to be a solution to the congestion at these terminals, it's not going to be the ocean carriers that are going to drive it. It's going to be the terminal operators and terminal labor. And we have engaged our members with direct face-to-face meetings with the leadership of the ILWU. We've been doing that for the past five to six years. We have meetings, obviously closed to the press and not announced, which I think have helped both sides understand the views of the others. The longshoremen understand the impact of terminal operations on the ability of our members to be competitive overseas and to continue shipping. And we understand sometimes the limits of what the longshoreman can do under the current system in increasing efficiency and fluidity.

Our members are sharing why ag exporters need the West Coast gateways to be ... efficient and dependable and what happens if they are not. Portland was a gateway for export ag. It is no longer a container port. Importers, with the boxes our exporters need, are shifting to East, Gulf and Canadian ports. West Coast longshore and U.S. ag exporters have a shared interest in getting West Coast terminals as productive as possible. Obviously, a lot more work remains to be done. But this interaction with the longshoremen's union is a necessary step by our association to improve efficiency in the terminals. We're encouraged that longshore officers have attended our workshops and glad to see several have registered for our annual meeting again. There is a lot of work to do.

Q: Street turns or matchbacks, where one truck does a round trip with a box avoiding the need for two trucks, appear to be a technique to help move cargo more efficiently and relieve some congestion. Earlier this year HMM and ZIM began charging truckers $50 and $40, respectively, for street turns. AgTC opposed the fees, although they appear to be marginal compared to what it must cost the carriers if they didn't provide this service. Why the opposition to the street turn fees?

A: We initially came out saying that this is absolutely outrageous because the carriers have not been doing enough to facilitate velocity at the terminals. They've been bringing these massive ships in without planning as to how the terminals can handle it or availability of chassis. This has made the supply chain less efficient. So truckers on their own and BCOs have worked pretty hard on street turns, which are not that easy to organize. They've been doing this to increase efficiency. It saves costs tremendously for the shipper and the carrier. Yet, several ocean carriers come in and say, "We're going to impose a street turn fee."

I asked someone who knows the systems within the carriers about how costly it is for them to manage street turns. He said it's a few keystrokes. Insignificant, particularly against the very significant savings to the carrier the street turn provides. The carriers ought to do something to increase efficiency in the system. They ought to encourage it. They ought to make that [street turn] platform available since it

dramatically increases efficiency, reduces congestion and reduces carriers' own costs. They ought to do that without charging a fee.

Also circulating out there, unconfirmed, is that a carrier may make its [street turn] platform available to champion importer accounts free of charge. We don't know if that's true, but that would be consistent with the free-time allocations and the chassis charges that we do know differ based upon the account's cargo volume. So I guess that's the nature of this business. If you're a bigger volume, you get a better deal. But if the bigger volume means that the better deal turns into chassis and container shortages, then that partially answers the question: Where are the chassis?

Q: The International Maritime Organization's Jan. 1, 2020, mandatory requirement for ocean carriers to use bunker fuel with a sulfur content of no more than 0.5 percent is expected to cost in the range of $15 billion for the industry. The ocean carriers are already warning that those costs will be passed on to shippers. Are you concerned that ocean carriers may take advantage of the IMO mandate to significantly hike shippers' freight rates, and if so, how might that occur? Will shippers have any recourse against abuse of rates?

A: This is extremely interesting to me. You start off with general agreement that carriers will need sufficient revenue to pay for their costs, whether low sulfur or anything else. But if an additional cost is imposed, for a specific cost, such as a "low-sulfur surcharge," we want to make sure we're only paying the actual higher cost.

People have long memories. Years ago the Transpacific Westbound Rate Agreement came up with their agreed bunker surcharge, but it was so complex that they couldn't explain it. It wasn't even clear that the carrier reps in the field understood it. This time around, with low sulfur, at least the surcharges now being announced are easier to understand — although that doesn't necessarily make them accurate.

Back then within the AgTC, some of our Fortune 100 company members with their own economics departments took a look at the TWRA surcharges. They found that the bunker surcharge was grossly over actual cost, so it sure looked like a revenue measure [for the ocean carriers].

This is something fundamental that our AgTC members and the carriers should tackle together. What is the actual increased cost of low sulfur? Independent economists we work with, who will brief us at our annual meeting [in June], have explained how complex it is to forecast what it's going to be and when. I must admit, it does make one's head swim. But that doesn't mean we should just take a carrier's word for it. They need to be transparent.

Right now, there's limited demand for low-sulfur fuel. And therefore, there's limited refinery production of low-sulfur fuel and limited distribution to bunkering locations and so forth. When the demand changes away from the current heavy bunker to low sulfur, then we will see if and how refiners respond. The refineries will increasingly source sweet crude rather than the heavy crude that they get now. But that's going to change their own supply chains. That's going to change their sourcing. Which is why, we are told, that you cannot base a future low-sulfur fuel charge on the current costs of low-sulfur fuel, because the world will change 180 degrees on supply, sourcing, etc.

So we have identified an individual who will be speaking at our annual meeting who has been in talks with some major importers to do his own analysis of what the actual cost will be of low sulfur. It's going to be very much a moving target as refiners change. Some things that the refiners change they can change

right away. Other things will take them a year to two years to change.

Anyway, the point is that there are shippers out there, including our own members, who are doing their own analysis of what the additional cost will be with the idea that they should share in that higher cost with the carriers, recognizing that the biggest input for the carrier cost is fuel.

Every carrier [operating in the industrialized countries] already has experience with low-sulfur fuel — no question. Those costs for fuel shouldn't be an add-on. They should be part of the freight rate.

The other question is how is this additional cost going to be shared? Are the carriers going to seek a contribution to that cost from all its customers? Or are they going to exempt the big box shippers? I mean, is Walmart going to be paying the same as our family-owned walnut growers? Keep in mind, for the AgTC, we're trying to keep U.S. agriculture competitive in the global marketplace. So putting the cost burden on agriculture and not on the big box or brand importers can mean whether the foreign sale is made and whether the cargo ships or not.

Q: Containerships continue to become increasingly larger. The economies of scale of these behemoth vessels may be a financial benefit to carriers, but with the exception of continued depressed rates, shippers appear worried that they are destined to become the losers in terms of ongoing port congestion and drayage delays, ultimately increasing freight rates and causing supply chain shortfalls, as well as ratcheting up the risk of significant cargo losses on board these ships due to fires and other incidents at sea. What operational scenarios in container shipping do you foresee shippers having to tackle in the next five to 10 years? In your view, how can shippers work with the carriers to incentivize each other and prevent mutual hardship?

A: I think cargo is like water. It's going to find its course. And it already has. It's been shifting from West Coast U.S. terminal gateways to East Coast and Gulf Coast and Canadian gateways. There's already advantages to doing so, because two-thirds of the population lives in the eastern one-third of the country. So those ports over there are either closer or enjoy much lower rail rates to reach the Midwest and East Coast populations. While it used to be that you had to go through Seattle, Tacoma, L.A. and Long Beach to get assured sufficient ship draft, that's no longer a limitation on the East Coast.

You can now go to all those big ports that are closer to the population. The Panama Canal is bigger. And as sourcing of consumer goods shifts from southern China to Vietnam, the route to those U.S. East Coast ports and population centers takes us through the Suez Canal — doesn't even go transpacific. The ability of multiple East Coast ports to dramatically increase their terminals' physical footprints is ongoing right now in ways that the West Coast gateways unfortunately cannot because there's no room. We worry that the level of support for West Coast ports is questionable as we see California and Oakland politicians eliminating an existing marine terminal.

Our agriculture exporters continue to support the ports of L.A. and Long Beach, Oakland, Seattle and Tacoma in their efforts to get the infrastructure so they can have rail in and out of the terminals. Inland terminals, proliferating at major East Coast ports, are essential and slow to come for the West Coast gateway ports. We're supporting them on that, as opposed to having our trucks sitting in line forever. We're trying to help the BNSF get approval from the Long Beach and L.A. city councils, who at times seem to be more interested in satisfying various interest groups rather than keeping the jobs at the ports. So the real answer to how shippers are addressing the congestion, demurrage, detention and the extra fees is that we're trying to find solutions to the underlying causes of the congestion.

The problem for agriculture and forest product exports, our largest market continues to be China, Korea, Vietnam, Japan. So one would want to move chilled pork, for example, from Kansas to China via the West Coast. It's too time sensitive to go east or south to the Gulf and then through the Panama Canal to Japan and China through the Suez Canal. If the importers are shifting to the East Coast, that's where the empty containers are going to be. Many of our members can ship off the East and Gulf coasts and Canadian ports and are doing so. But many others need those empty containers on the West Coast and interior. Remember, our foreign customers have options. They are not going so much for our hay to pay a railroad to reposition an empty container from say New York/New Jersey or Norfolk to Wenatchee to take a load of hay and then bring that all the way back to the East Coast to load out.

So you ask how our members and all other shippers actually address the challenges of congestion. Like water, they gradually shift to the places of least resistance, least congestion, most dependable labor and the most community support.

Q: The European Shippers Council and Global Shippers Alliance, along with the OECD, are currently at odds with the World Shipping Council and other liner carrier interests about convincing the European Commission whether to preserve or abolish the block exemption for vessel-sharing arrangements. The WSC essentially says shippers have not been hurt by consolidation or the VSAs, highlighting how cheap ocean transport is, while the various shipper groups argue that service is generally bad. What's your take on Europe's block exemption status?

A: Well, since when is the provider of a service the authority on whether it's any good or not? J.D. Power does its automobile customer satisfaction survey by asking the customers, not the car companies. Obviously. So, I wouldn't say that an ocean carrier organization is the authority on whether their customers, the shippers, have been hurt or not by carrier consolidation or VSAs. Do like Power, ask the customers. In fact, right now we are surveying our members. It's our annual exercise to rate the carriers' service levels, recognize the top carriers. We'll find out what the customers say when we release our 13th annual ocean carrier performance survey at the June meeting.

What's really puzzling is that the carriers, ever since I worked on the Ocean Shipping Reform Act when I was on [Capitol] Hill, work so hard to retain a system which they continuously lament hasn't worked very well for them. The carriers association says shippers haven't been hurt because rates are low, which logically means that they're also saying carriers haven't benefited because rates are so low. So why do they want [the block exemption] so badly? Why do they want to hold on to a system in which, year after year, the carriers can't make money?

The other element here is that we've had this ocean carrier consolidation from 21 to about 10. And with fewer carriers are we getting better service? Do those 10 carriers have more secure financial footing now? Seems that the answer is no. So why hold onto something which you've already said doesn't work?

So I guess [the ocean carrier] argument would be, well, it'd be even worse without it, but we heard this back in 1984 [with the Shipping Act]. But even then we had individual ocean carriers asking, "Why do we need the antitrust immunity? We compete. We don't really want to share information." The ocean carriers, the business people, don't really think it helps, and the highly publicized financial condition of many carriers would prove them right.

There's another, more subtle, problem created by the block exemption and antitrust immunity. Because it allows carriers to talk to each other and share confidential information, it has created an environment in which some carrier executives appear to be more comfortable spending time and talking with their competitor carriers than with current and potential customers. We have worked hard, and still do, to break down that barrier. At the beginning it was gradual, but after doing our ag shipper workshops around the country, most ocean carrier presidents have embraced the concept of a productive, off-the-record engagement that improves relationships and mutual understanding of the export supply chain. There are still a couple "old schoolers" who seem to prefer staying in their HQ office or local bars, meeting with their lawyers and other carriers rather than with customers and potential customers, but they seem to be retiring. I think this is one of the less obvious byproducts of the antitrust immunity/block exemption.

Q: The U.S. southern border has so far been spared from President Trump's threat to close it down. However, the effects on commercial traffic are already firmly apparent with CBP officers being reallocated to immigration control duties. How are AgTC members dealing with the slowdowns in moving their agricultural products through the U.S.-Mexico border? What do you think it will take for the U.S. and Mexico to return to normal operations at the border?

A: Many of our members ship to Mexico or import from Mexico or both. Mexico is a huge market for our own fresh fruit and vegetables. It's not just local to the border. We always think of fresh fruit coming up from Mexico. But it's a major market for our own fresh fruit, especially those graded for juicing, from as far north as Oregon and Washington. Our members' beef and pork also originate far from the border.

The wait times in some of these southern border crossings has gone from what had typically been around 15 minutes and sometimes quicker to many hours and even days at some ports of entry. If you're used to a 15-minute transit hauling a trailer of Mexican fruits/vegetables, you may not need a refrigerated truck. With the current delays, you can't do that.

Our other concern, and it's being voiced now by some of the politicians on Capitol Hill, is that more of these reallocated CBP inspectors are coming to the southern border ports from seaports and airports in Florida and California and northern border. They're doing it on a volunteer basis, they're dedicated, but don't have the same level of experience in handling freight in this part of the country. And people worry about delays that will start at the ports/airports they came from.

We have proposed to CBP that if there's ever been the right time to implement the so called "green lane" for people who go through the CTPAT (Customs Trade Partnership Against Terrorism) certification process, this is it. I mean, one of the great shortcomings of CTPAT has been that the promised expedited processing for imports has not occurred. So this would be the opportunity for CBP to set up a FAST lane

for CTPAT certified so they don't have to go through the regular, time-consuming process.

People generally think of CBP as focused on imports. But CBP plays a very significant role for our member exporters. CBP actions can mean the success or failure of our ag exports. We've had significant issues with some CBP policies and practices that have impeded exports. For a while, the biggest barrier to U.S. exports wasn't China, it was our own CBP. Now we are knocking some of those bad practices out, but there is new attention to this at CBP, and our AgTC Customs Committee will be rolling out amendments to fix some of these problems so we can be more dependable suppliers to foreign customers.

Q: There's been a lot of press lately about how the U.S. tariffs imposed on China, Europe and other countries have not benefited American farmers. In fact, the retaliatory tariffs imposed by these countries in response to the U.S. actions have made their economic situation worse than it was before. In your view, was it necessary for the Trump administration to go down the path of tariffs to punish China for its trade indiscretions? Are we looking at a future global trade landscape where American agriculture will become less dominant?

A: There is universal agreement that China has been a bad actor — intellectual property, technology transfer, favoring domestic companies over others, subsidies, etc. — universal agreement that something should be done.

And it didn't just start now. It's been happening with China for the last 15 years. So what should be done? Heretofore, because doing "something" will cause some pain to some sectors, nobody's been willing to undertake really effective measures. Therefore, the transgressions by China continue. It's not only a trade transgression, but foreign policy, their Belt and Road agenda, their expanding their 250-mile economic zone, turning reefs into military compounds and scaring Japan and the Philippines to death over China Sea expansion.

So what do we do? And I've posed that question everywhere. A lot of people say imposing tariffs on China is not the way to go. So what is the way to go? Some have suggested "we should talk to the Chinese." Really? Others say we ought to have "strict enforcement." Under the Obama administration, 16 trade cases were pursued by the U.S. at the World Trade Organization, none of which have been resolved yet, because the World Trade Organization doesn't work that fast. So that's not very scary to the Chinese.

The other thing that's been recommended is that we approach China with our trading partners in Europe. That's been attempted by the Bush and Obama administrations, and that hasn't worked because if you take on China, there's going to be some pain. And European leaders haven't wanted to do it any more than our leaders have.

The danger for the AgTC membership is clear. Taking on China, whatever that path might be, exposes our obvious vulnerability — agriculture exports. We're vulnerable, just as our mantra says: "There's nothing we produce in agriculture and forest products in this country that cannot be sourced somewhere else in the world. If we don't deliver affordably and dependably, our overseas customers will go elsewhere."

And that's why our ag exporters are so vulnerable, because China can source just about everything that they're getting from us somewhere else. Maybe not immediately, maybe not the same exact quality, but they can get it elsewhere. When we've had port slowdowns in the past, almond growers who were unable to ship, a Japanese confectionery company didn't stop making candy. It just turned to Turkey for almonds. I guess you cover it with enough chocolate, it doesn't matter. That was in 2002 and years later, that California almond producer has not been able to get that Japanese candymaker back. When we couldn't ship hay to Japan, now they're growing in Argentina. So the fact is that we are vulnerable.

We have lost huge volumes of soybean and many other exports to China market due to the tariffs. Our growers are looking to develop markets elsewhere. But nobody is going to replace China as a volume consumer. We know that. Now pork is an interesting one. Pork exports were decimated by the tariffs. Then along comes African Swine Fever and it is decimating hog herds across Asia, creating massive demand for U.S. pork, even in China at the higher rates due to the tariffs. Some U.S. pork producers say they haven't shipped this much pork to China in a while. So you can't predict it.

But no question, the tariffs have challenged many who are working around it. People forget that China is not a monolithic market with the Chinese government buying all this stuff. It's more like the U.S. — a whole bunch of individual traders and supermarkets — and some want U.S. products and they're paying more for it to get it. And the U.S. exporter is maybe charging less to still meet that demand in China. "Work-arounds" are individually negotiated between the particular Chinese customer and U.S. exporter.

Another factor is that Chinese barriers to our exports are nothing new. Before the tariffs were imposed, there were already tensions. Arbitrary phytosanitary and "health" inspections, bans, etc. to protect a domestic producer or some other reason. For example, the rule in China has been to inspect citrus that arrives in reefer containers. Their inspection is basically open the container and take one carton out, look it over, shove it back in, close the door and you're on your way in minutes. And it's OK, you can do that even in the heat of a South China summer. Technically, the rule says that the inspection must be completed within seven days. So from time to time, and it's unpredictable, China Customs was opening the container on the terminal in the hot sun, wide open. They might take a bunch of the cartons out of the container. They set them out on the ground and leave them there for a couple days — in the heat, which obviously destroys the whole shipment. Then they make the U.S. exporter pay for bringing that container of spoiled juice back to the U.S. So we've had these kinds of practices by China with U.S. agriculture products for years, so we're used to uncertainty in that market.

To help our AgTC members, as soon as China levied the first tariffs against our ag and forest products, we created the China Tariff Tracker for our members. Lots of traffic as new tariffs were being announced and imposed. Now there's a risk of more tariffs against China — $200 billion of China exports to the U.S. could go from 10 percent U.S. tariffs to 25 percent with a snap of President Trump's fingers. Then we'd see another round of China against other U.S. exports. And who would be the biggest target? Ag, of course. Fortunately, it's looking like it is going in the other direction, but yes, we are the most vulnerable.

Global trade wars we can't fix, but the export supply chain, truck and rail from origins here in the U.S.

to the ports onto the ships across the ocean, we can, and should. That's what the AgTC has been all about for 31 years. After all, "there's nothing we produce in ag here in the U.S." You know our mantra.