

Cold Weather, Other Factors Won't Dampen Trucking Rates

by Gerry McDevitt - Tuesday, March 11, 2014

The recent cold snaps across the northern part of the United States have not only affected the ocean ports as we recently reported, but it has also had a devastating effect on the long haul truck load market. Although the driver shortage has been reported many times over the last couple of years by Mohawk Global Logistics, the problem has been aggravated by several factors, including the recent series of winter storms.

Weather

The weather is the most recent event that has caused a domino effect in truckload capacity in the Northern states. As weather events hit, it keeps trucks in the frozen states from moving, while keeping trucks in areas not affected by weather from entering into those markets hit by the weather. As the weather clears the trucks that were stranded now clear out, while trucks in other markets want to avoid entering the northern states and risk getting stuck the next storm. This leaves a huge void of trucks in those areas causing a huge backlog of outbound freight. This is where the law of supply and demand takes over. Rates have drastically increased in markets hit hardest by the recent weather. Carriers with trucks in that area have their pick of shipments, and can command a premium rate.

As spring comes, weather events should wane and have less of an effect on the market. However, with spring comes produce season. Produce season also causes great imbalances in supply in demand, as the harvest marches northward starting in southern Florida. Again, the imbalance of capacity means where there is little capacity, truckers can command above normal rates to move your shipments.

Economy

As the economy heats up, the need for full truckload capacity increases. Unfortunately, a bustling economy draws drivers away from the long haul truckload industry. Truck drivers tempted by the prospect of coming home each night are leaving the long haul industry for the now booming U.S. energy industry, and the slow but steadily increasing construction industry.

Regulations

New hours of service regulations that went into place July 2013 have effectively decreased truck productivity 3-12% depending on who you talk to. To handle the same amount of freight as they did a year ago, carriers now need to hire more drivers, buy more equipment, and pay more per hour.

All these factors have come together to create the second tightest truck load market in the last 20 years, according to Morgan Stanley Research (see *Transportation Chart of the Day: Charting February*, published February 28, 2014, page 2).

If the slowly improving economy continues, even at the current pace, we will be faced with a driver

shortage. If it heats up, we could be facing a deficit of as many as 200,000 drivers. Regardless of weather, regulations, or the economy, the long haul full truckload market is going to be a challenge for shippers. Transport Topics [recently reported](#) that in some markets, truckload prices have doubled from what they were only a few weeks ago.

Mohawk can help

Shippers can expect to pay more for truckload service as the economy improves. Indeed, even finding a trucker to handle your freight may be difficult.

Let Mohawk relieve you from the burden of scrambling for an available carrier. We have access to thousands of truckers from large nationwide carriers to regional and specialized carriers.

Find out what we can do for you. Contact our domestic department at domestic@mohawkglobal.com or call (315) 414-0453 for more information.

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