

2024 CROSS BORDER

Logistics Council



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SPONSORS!



WELCOME

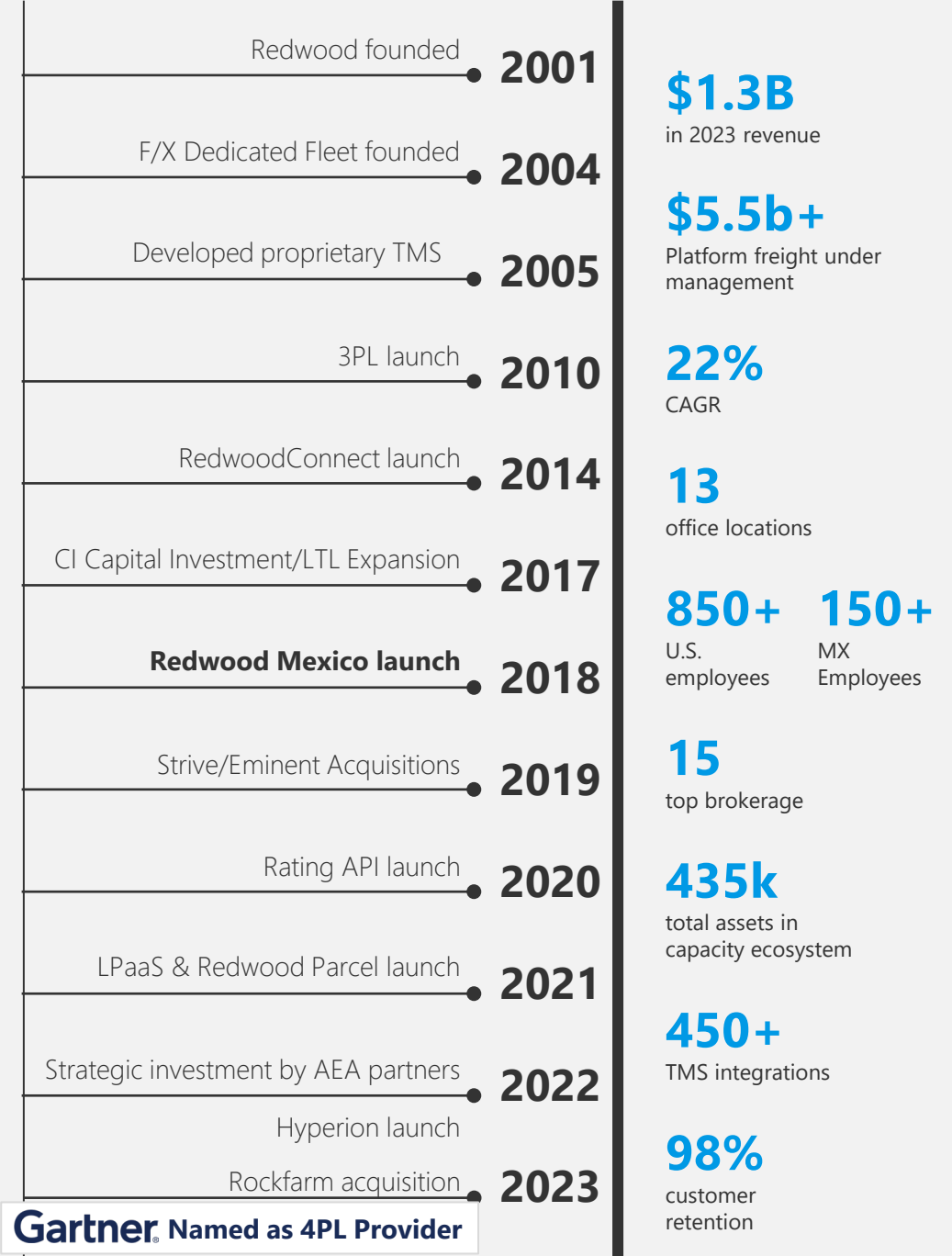


Mark Yeager
CEO
Redwood Logistics



A Trusted Partner

We build every relationship on a framework of collaboration, understanding, humanity, and respect. We partner with you, invest in the relationship, and become a part of your team.



Winning Culture

Being part of the Redwood family

means surrounding yourself with a sense of openness and inclusivity, a group of different people who've created an environment where everyone is willing to help everyone.

Redwood Core Values



Innovative



Fearless



Road Less
Traveled



Respect



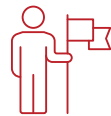
Transparent



Accountable



Fun



Great

110%

110%



Redwood Logistics Honored with Chicago Top Workplaces Award

"We're extremely proud of the tight-knit and growth-oriented company culture we've developed over the last two decades."

- Todd Berger, President of Redwood Logistics



We believe in giving back to our community and having fun while doing so. Annually, we organize the Redwood Games, a culmination of months dedicated to fundraising for a specific cause followed by a celebration embraced by all employees.

\$247k

Raised for the Ann & Robert H. Lurie Children's Hospital of Chicago during 2023 Redwood Games annual fundraiser



CAB Event
Fall 2023



Redwood Games
Summer 2023

The Road Ahead:

Driving Innovation and Growth
in Cross-Border Logistics



Christopher Thornycroft
EVP Procurement
Redwood



Jordan Dewart
President of Mexico
Operations Redwood



The Road Ahead:

Driving Innovation and Growth
in Cross-Border Logistics

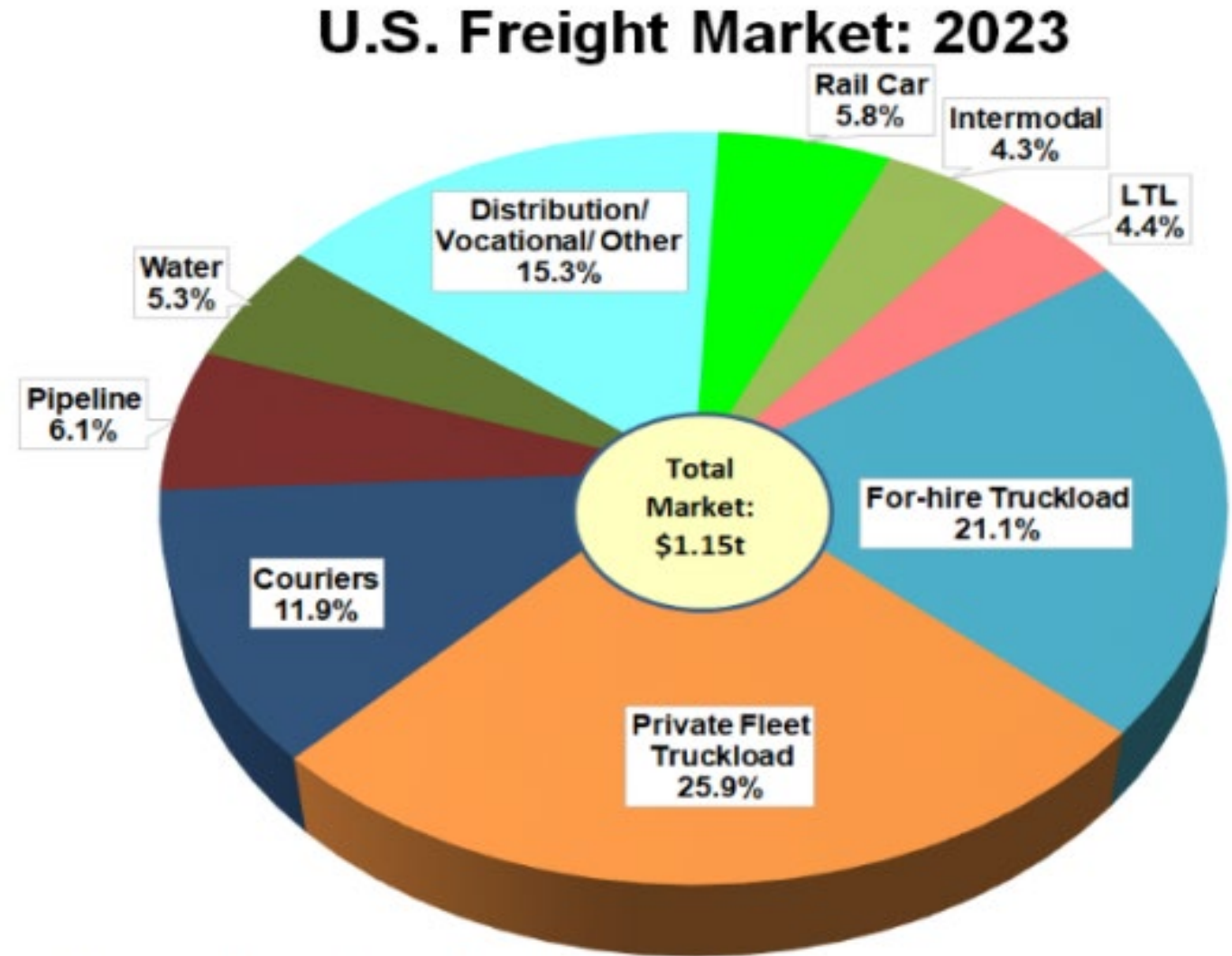
U.S. Freight Market



U.S. Freight Market Overview

~\$800B in Revenue

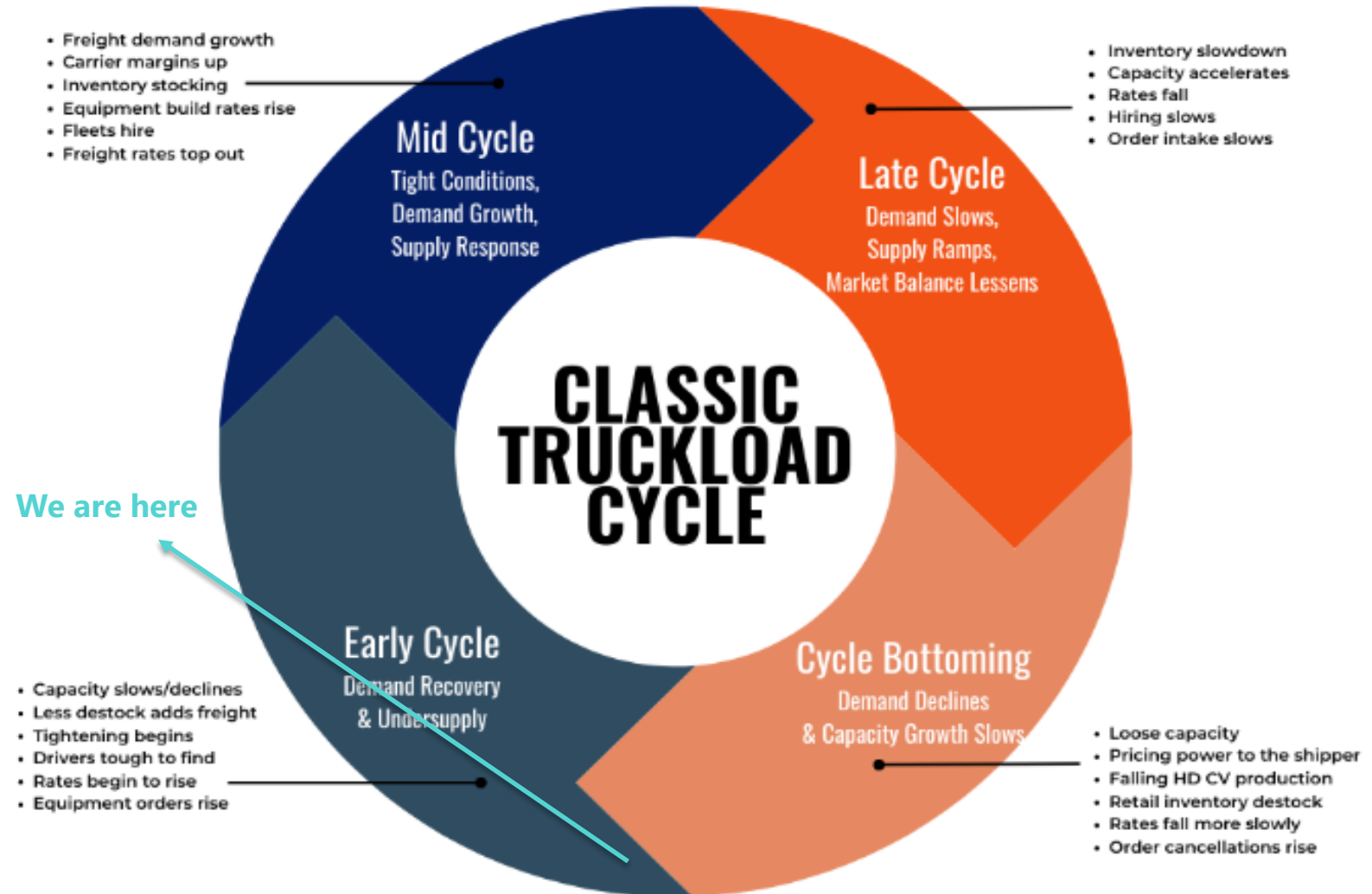
- 67% truckload
 - TL gained ~3% of share from LTL/IMDL
- Highly fragmented
 - 95% of carriers operate 10 or fewer trucks
- Large private fleet investment in 2022-23
 - +47K tractors added
- Private fleet vs for hire cost imbalance likely (~-\$0.61 per mile) to shift freight back into for-hire



Source: U.S. Department of Commerce, Company Reports, ACT Research Co. © 2024

Current Market – Cycle

- Market “flips” only occur with significant demand drivers
- Supply driven market changes are expected to be slower and seasonal
- High interest rates limiting housing, manufacturing, capital expenditures, durable goods
- Inventory restocking expected after 2.7% YoY decrease in real inventory
- ~95% freight moving via contract
- Demand not strong, but still up ~8% YoY....
- Expectations with current conditions are that the market will take the “stairs” up, not the “elevator”



Current Market Indicators

Demand Indicator	Current	Previous Period	Change	Previous Year	Change	% Change
Cass Shipment Index	1.115	1.039	0.076	1.167	-0.052	-4.7%
OTVI - Monthly Average	11,326	11,186	140	10,392	934	8.2%
OTRI - Monthly Average	3.84%	4.74%	-0.90%	3.53%	0.31%	8.1%
Manufacturing PMI	50.3%	47.8%	2.5%	46.3%	4.0%	8.0%
New Privately-Owned Housing Units Started (SA/000's)	1,521	1,331	190	1,436	85	5.6%
Total Business: Inventory to Sales Ratio	1.39	1.37	0.02	1.37	0.02	1.4%



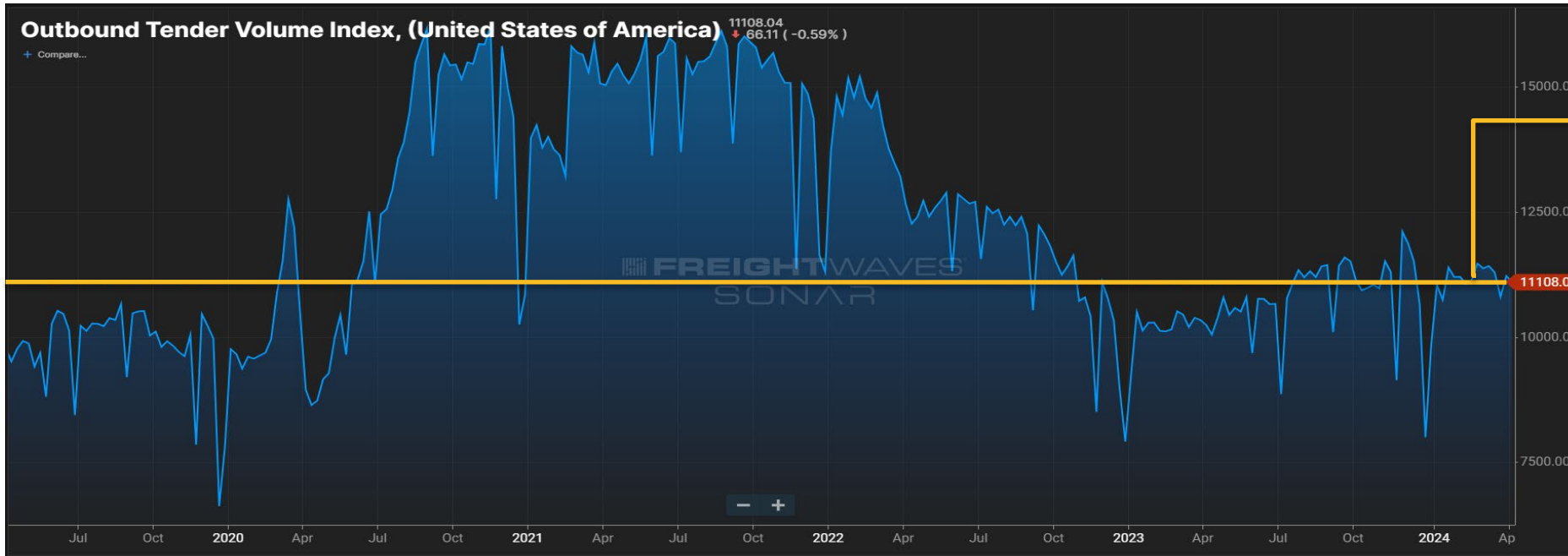
Demand
slowly rising

Capacity Indicator	Current	Previous Period	MoM Change	Previous Year	YoY Change	YoY % Change
Long Distance TL Employment (000's) NSA	540.1	539.6	0.5	544.5	-4.4	-0.8%
Carrier Authorities	350,596	351,333	-737	375,506	-24,910	-7.1%
Private Fleet -Interstate Tractor Count	626,882	629,163	-2,281	599,482	27,400	4.4%
Brokerage Authority	26,171	26,772	-601	29,600	-3,429	-13.1%
Class 8 Retail Sales (NA)	23,335	24,599	-1,264	24,611	-1,276	-5.5%
Class 8 Net Orders (NA)	17,300	27,745	-10,445	19,010	-1,710	-9.9%



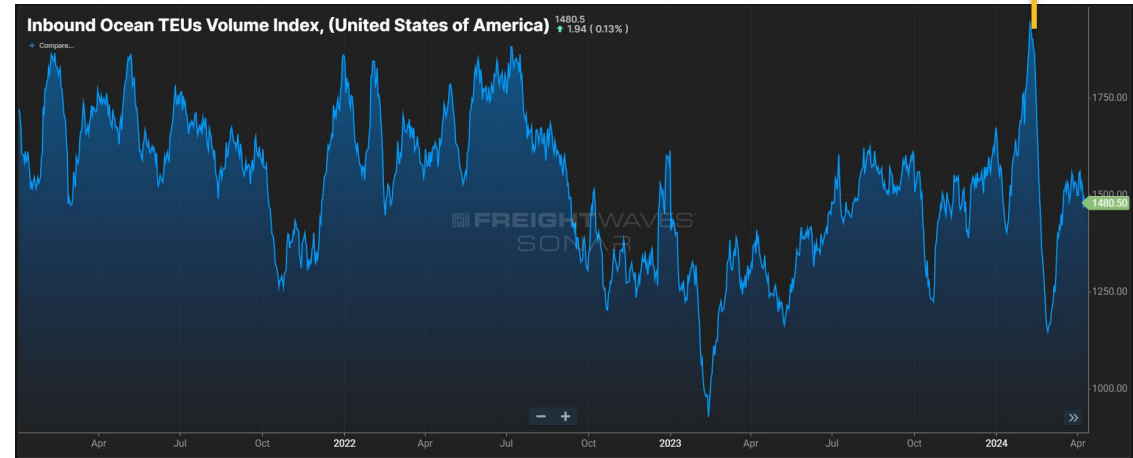
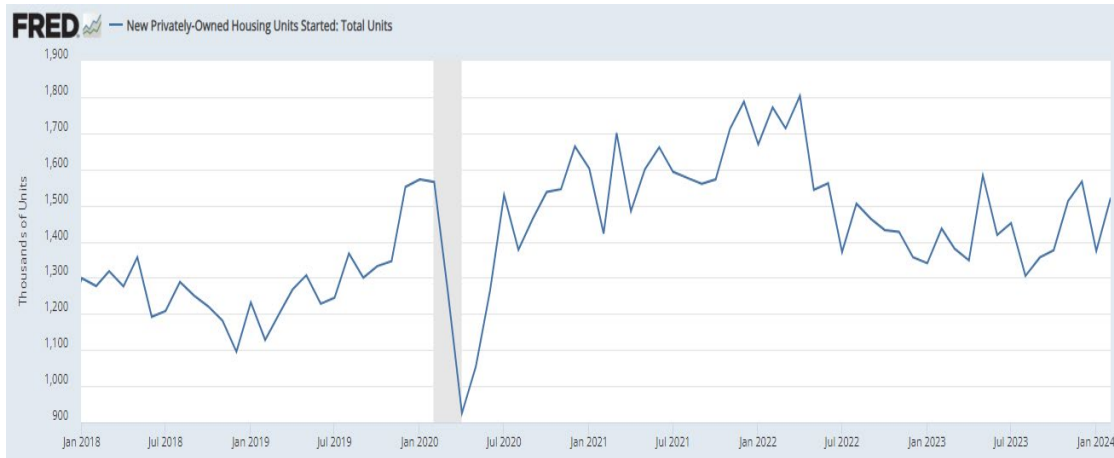
Capacity
steadily falling

U.S. Demand – Steady, Not Strong



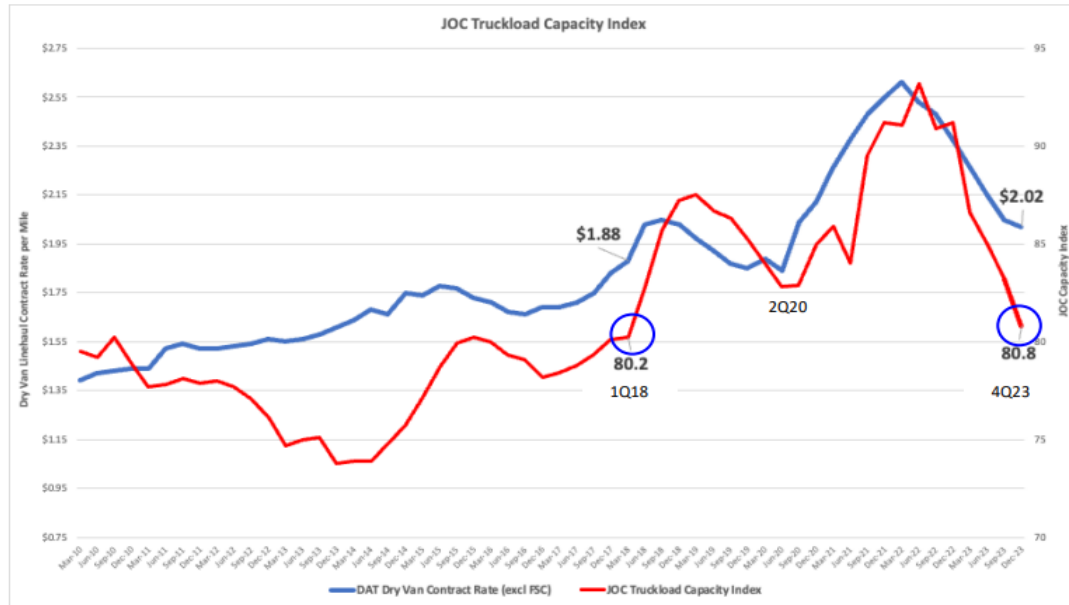
Demand up from 2023, but Private Fleet share larger as well

Pre-Lunar New Year import push rivaled 2021/2022/H1 imports projecting +11% increase from H1 2023



U.S. Capacity - Contraction Ongoing

Large Fleet Capacity - Quarterly Changes



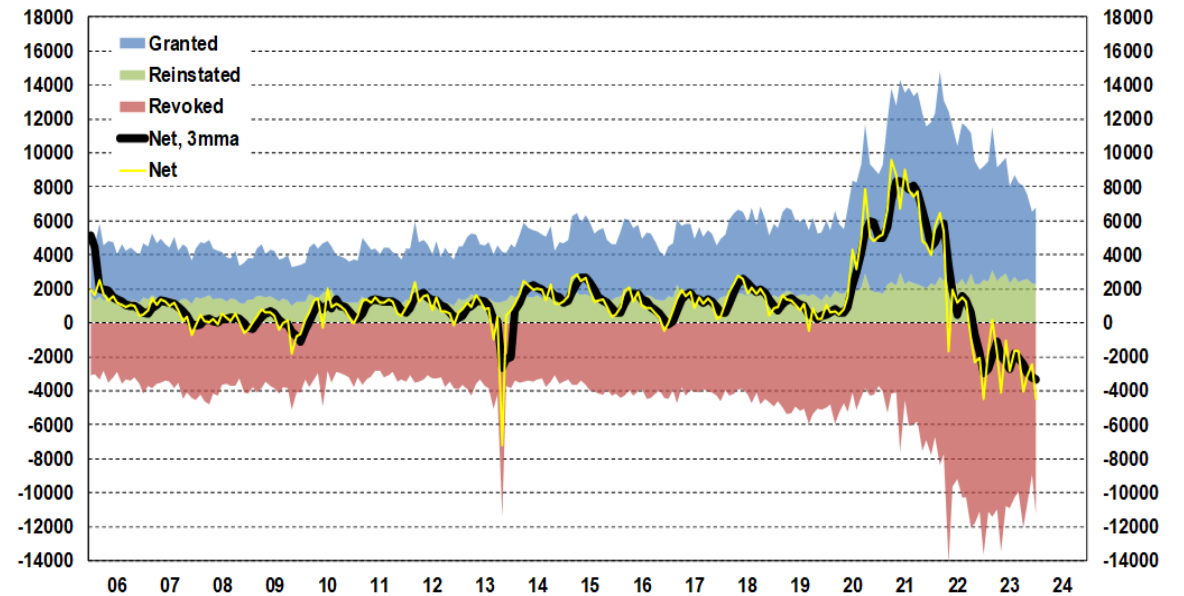
TCI measures truck capacity at large, publicly traded trucking companies on a quarterly basis using end-of-quarter truck counts reported within their earnings statements. Indexed to 100 during the 4th quarter in 2006.

- Top 40 US truckload carriers showed a -29.4% revenue decrease in 2023
- Contract rates have fallen -\$0.59 from peak
- Larger fleets shed capacity through 2023 at an increasing rate

DOT Operating Authorities

Interstate Operating Authorities

January 2006 - January 2024



- Owner Operators/Smaller carriers have increased exits or joined onto larger carriers for contract freight
- Spot rates have fallen -\$1.15 from peak
- -30K authorities lost from 2023 – present

U.S. Contract Environment

Contract Rate Trends



Dry Van

- Active rates down 1.7% (0.2%)
- Replacement rate is negative 2.4% (1.0%)
- This means that new contract rates are about 2.4% below the rates being replaced.



Temp Control

- Active rates are down 2.1% (2.0%)
- Replacement rates negative 2.0% (3.4%)



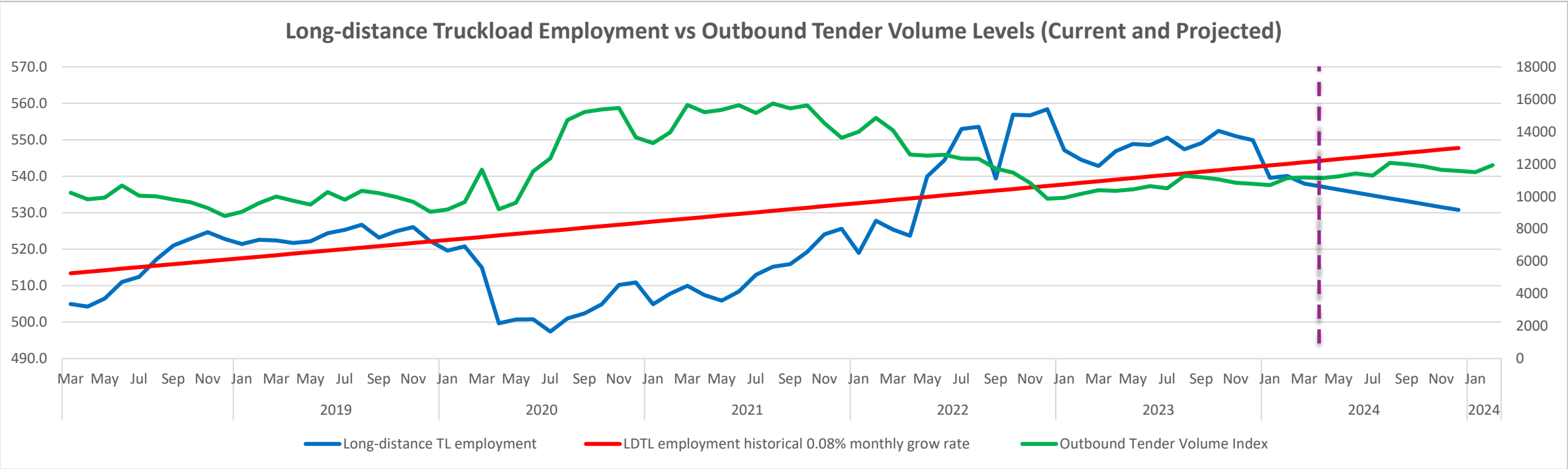
Flatbed

- Active rates are up 1.7% (1.0%)
- Replacement rate are down 1.6% (-3.6%)

2024 Contract Pricing Trends

- 15% of contract lanes contain 72% of TL spend and 80% of TL volume
- Shippers are focusing on securing high volume lanes with asset-based capacity
- The remaining 20% of business is low volume/on-off and heavily allocated to brokerage
- Shift to longer term bids continues (75% of current RDWD bids)

Market Forecast – Rates take the stairs



March 2024 ACT Freight Forecast

ACT Contract Rate Forecast	Q1	Q2	Q3	Q4	2024F
DAT Dry Van Rate / Mile, Net Fuel	2.03	1.98	2.02	2.08	2.03
Y/Y	-13%	-8%	-1%	3%	-5%

ACT Spot Rate Forecast	Q1	Q2	Q3	Q4	2024F
DAT Dry Van Rate / Mile, Net Fuel	1.62	1.66	1.71	1.86	1.71
Y/Y	-7%	2%	8%	17%	5%

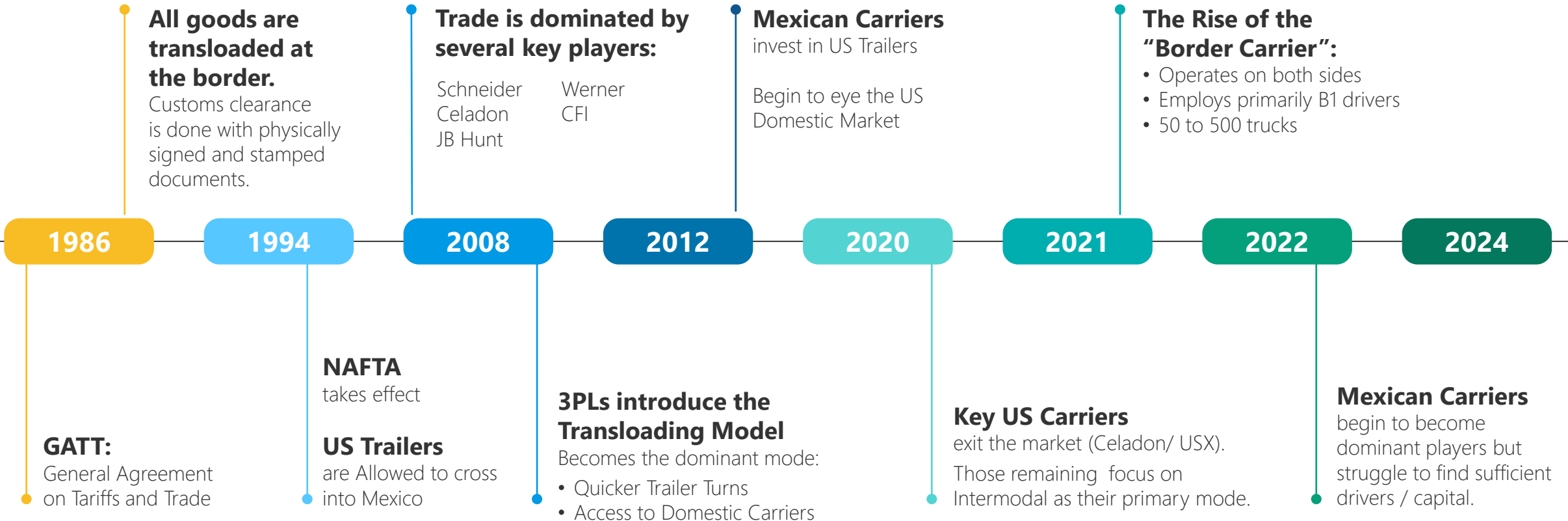
The Road Ahead:

Driving Innovation and Growth
in Cross-Border Logistics

Mexico Freight Market



30 years of Trucking in Mexico



Capacity Indicators

Rates in Mexico remain high due to significant negative pressure, reducing the available capacity.

	Baseline Input Costs	5% increase <i>estimate for 2024 prices compared to 2023</i>
	Driver shortage	9% increase <i>in demand for drivers in 2023 compared to 2022</i>
	Fuel	\$3.996 USD/Gal <i>Q2 2024</i>
	Mexican Peso	\$16.5173 MXN/USD <i>Q2 2024 marks a historical low over a decade</i>
	Cargo Theft	9% increase <i>from 2022 to 2023</i>



Border capacity is anticipated to tighten sometime between mid to late 2024, driven by the traditional trade imbalance alongside increased demand spurred by foreign direct investment (FDI).

SAT finalized deployment of Complemento Carta Porte 3.0 as of Nov 2023 with penalties effective April 2024.

Newcomers entering the Mexico Cross Border Space may cause disruptions due to their lack of understanding of the market.

Demand indicators

All key indicators suggest a significant surge in demand for logistics services within the Mexico cross-border logistics sector.

FDI will continue to increase.

According to Deloitte, foreign direct investment (FDI) in Mexico is forecasted to grow by about 10% annually, reaching approximately \$60 billion by 2027.

US-Mexico freight volume to increase.

Mexico emerged as the U.S.'s largest trading partner in 2023 and this trend is expected to continue in 2024.

Nearshoring will be a key economic driver for the North American freight economy.

- Tesla's \$5B USD automotive factory in Monterrey is one of the largest nearshoring projects headed to Mexico
- Unison Shanghai Automotive \$400M USD a new plant in San Luis Potosí
- Kuka Home invests \$150M USD for an expansion in its Nuevo Leon plant
- Amazon announces \$5B USD investment in the Bajío Region

Mexico's booming exports to boost cross-border trade.

Mexico's exports are anticipated to increase from \$455 billion to \$609 billion over the next several years.

What is the current U.S. trade balance?

U.S. International Trade in Goods and Services, December and Annual 2023

Deficit	\$62.2 B	+0.5%
Exports	\$258.2 B	+1.5%
Imports	\$320.4 B	+1.3%

1st

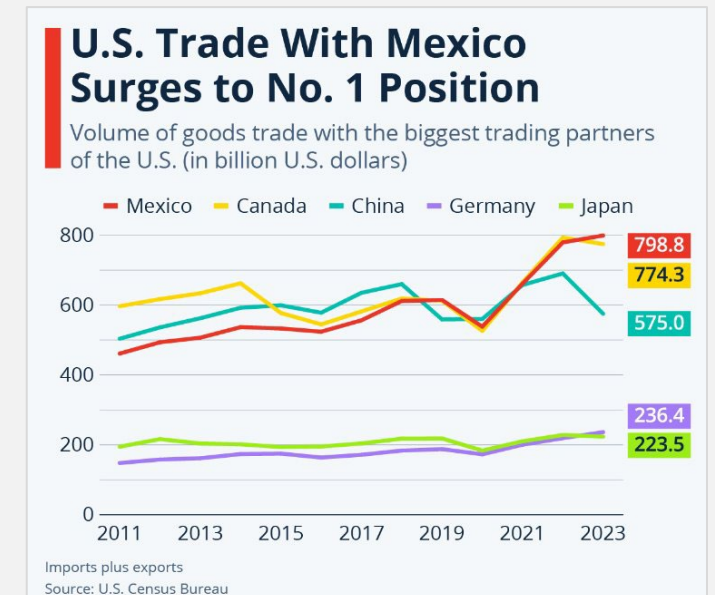
U.S. trading partner

\$800B

US-Mexico cross-border trade

LRD #1

international trade gateway in the U.S.



\$560B

US-Mexico cross-border freight by truck

7.35M+

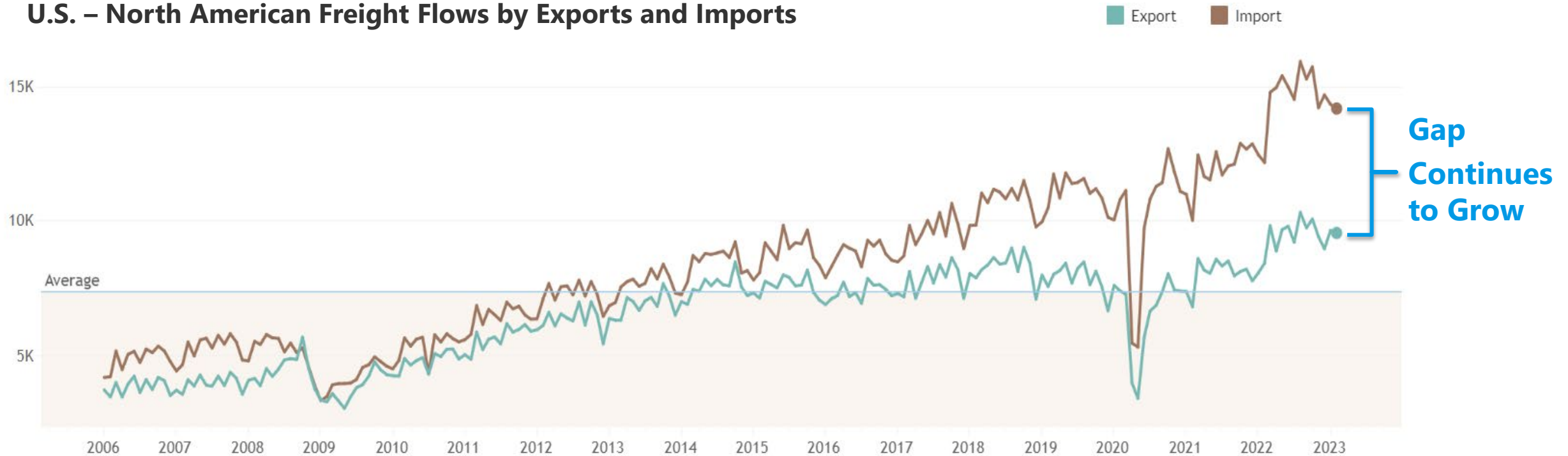
cargo trucks crossed the U.S.-Mexico border

US / Mexico Trade Balance

* Trade measured Truck and Rail volumes crossing via Laredo, TX

- Outside of 2009 and 2020 a slow and steady increase in both imports and exports
- Northbound Shipments outpace Southbound Shipments by a wide margin
- Capacity imbalance will most certainly continue future forward

U.S. – North American Freight Flows by Exports and Imports



Looking Ahead

1 Demand will continue to grow over the coming years.

2 Supply will undergo severe disruption and challenges.

What should shipper and manufacturers do? In a word: **Collaboration**

What got us here, won't get us there.

- Enhance use of limited resources
- Aim to become preferred shippers by Reducing loading/unloading and border crossing times
- Maximize southbound loads to achieve a ratio of 2 to 1 or even 3 to 1 for northbound truckloads

Government needs to rise to the occasion.

- Infrastructure
- Security and highway safety
- Loosen restrictions on trade, compliance and non-value adding processes and procedures

Shippers must become flexible.

- Add modal mix to supply chain for flexing to transload or direct
- Consider different border crossings, modes, packaging or even raw material suppliers
- Build partnerships with reputable players, remember Mexico is still a relationship-based industry

Fireside Chat

Navigating Geopolitical Uncertainty:

Insights into Cross-Border Logistics



Jordan Dewart
President of Mexico
Operations Redwood



Noi Mahoney
Cross-Border Market Reporter
FreightWaves



Borderless Boundaries:

Cross-Border Risk Management



Israel Delgado

VP CANACAR Region Noreste
CEO. Express Service Transport Inc.



Marianna Raphael

Directora General
Connecting Mexico



Alejandro Gonzalez

COO
Gontor



Noi Mahoney

Cross-Border Market Reporter
FreightWaves



Success Stories & Lessons Learned: Cross-Border Logistics



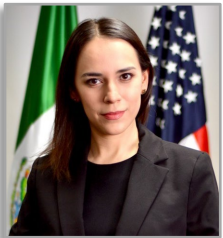
Hector A. Rodríguez

Transportation & Logistics Manager
Carrier Corp



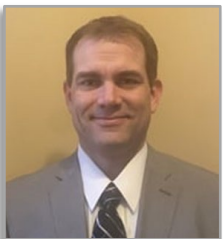
Daniel Keegan

Director General
Straw Weavers



Grace Lingow

Directora General Monterrey
American Chamber of Commerce of Mexico



Jonathan Hathaway

Materials Manager
Kiriu USA LLC



USD to MXN from 1997 to Present



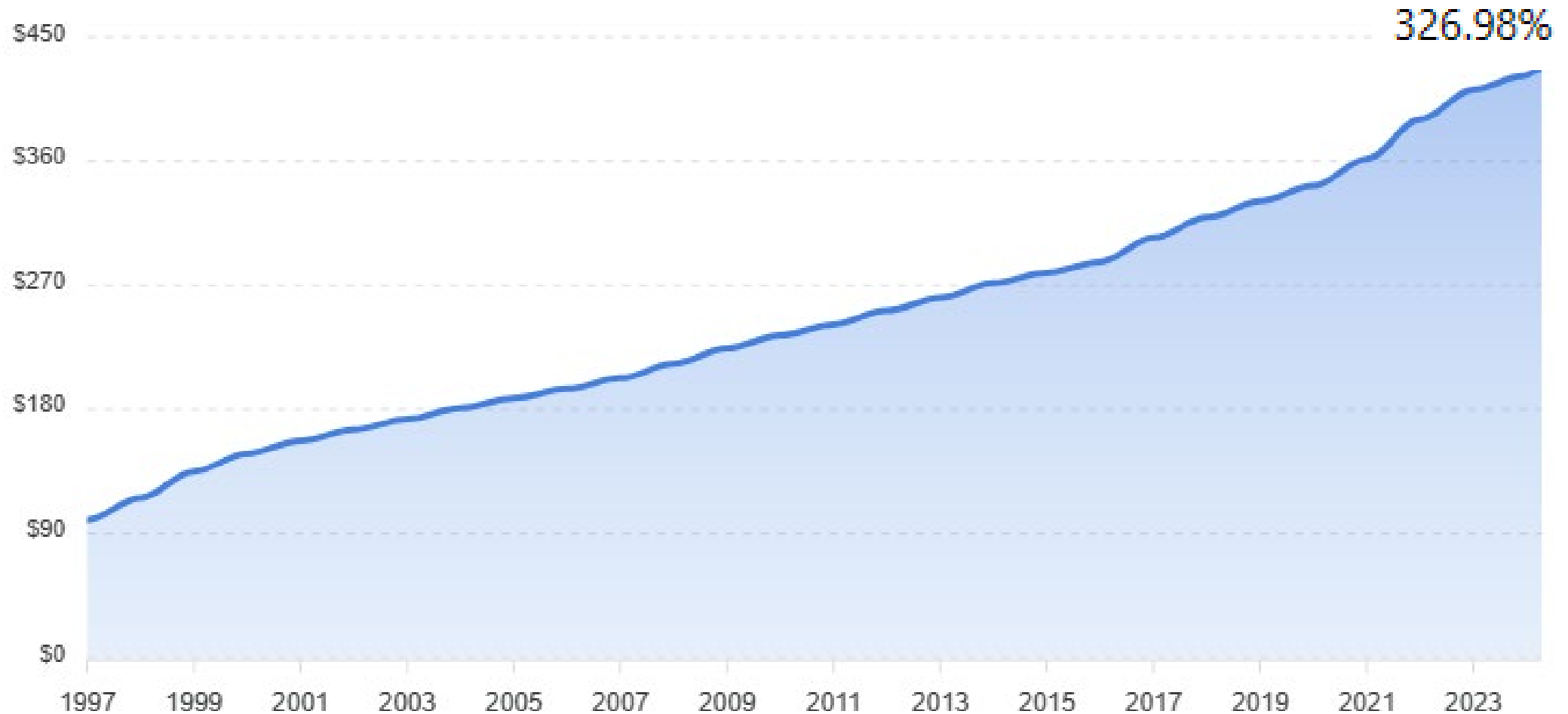
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USD to MXN from 2019 to Present



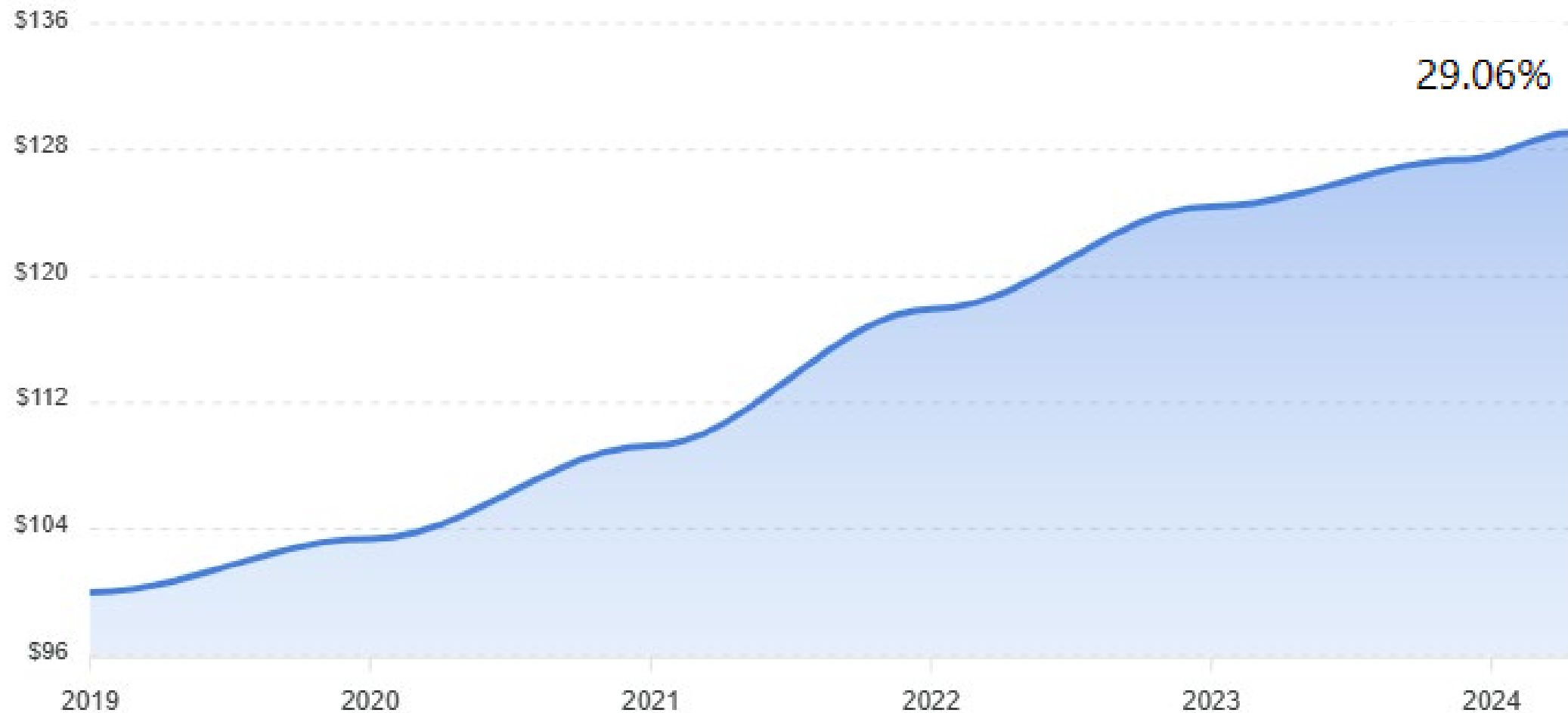
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Mexico Inflation from 1997 to Present



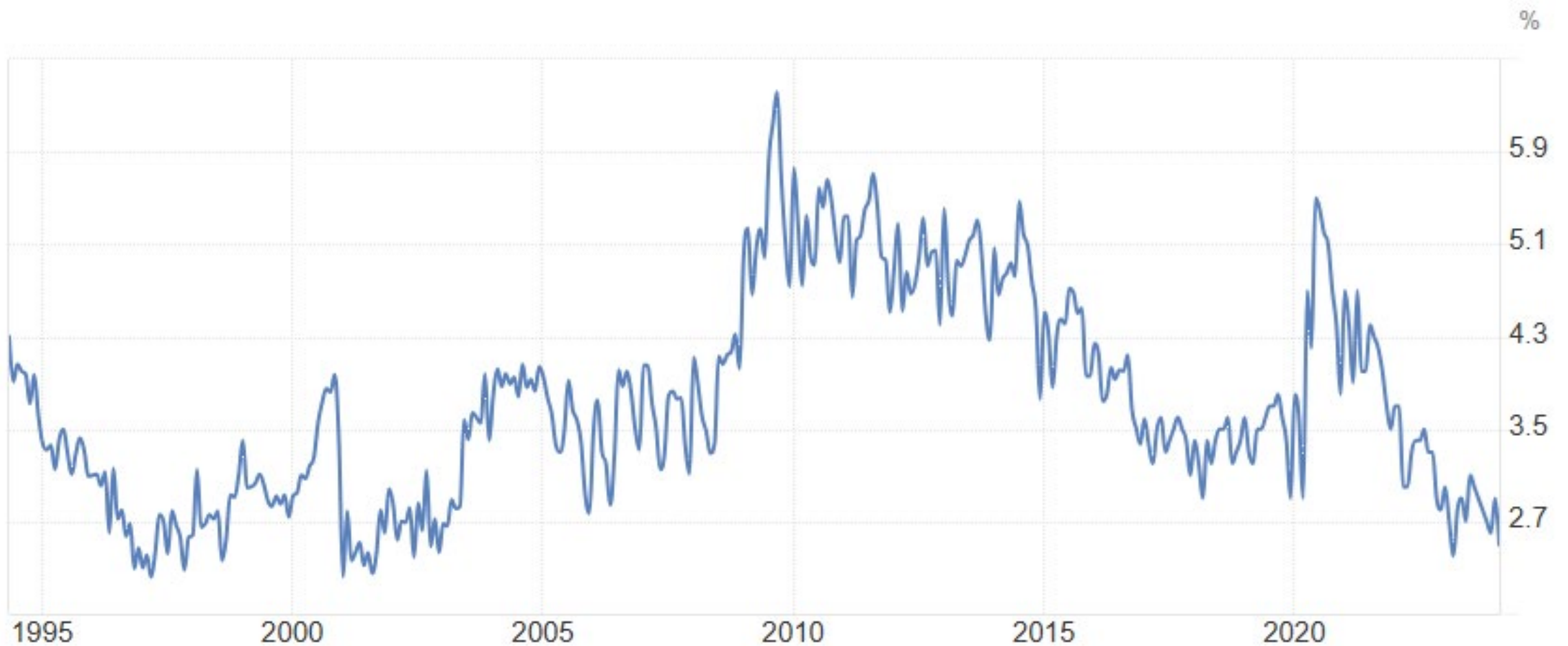
<https://www.dineroeneltiempo.com/inflacion/peso-mexicano/de-1997-a-valor-presente?valor=100&ano2=2024>

Inflation Accumulated from 2019 to Present



<https://www.dineroeneltiempo.com/inflacion/peso-mexicano/de-2019-a-valor-presente?valor=100&ano2=2024>

Mexico unemployment rate from 1995 to present



Instituto Nacional de Estadística y Geografía (INEGI)

THANK YOU



Todd Berger
President
Redwood Logistics



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