

**BRIEF**

Cass: April volume hits 'recessionary levels,' capacity cuts remain open question

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Published May 14, 2020

Dive Brief:

- Freight shipments fell nearly 23% year over year (YoY) in April to "recessionary levels," according to the latest Cass Freight Index, which added, "we believe this will mark the bottom."
- "April was much like March" in the sense that carriers moving groceries and food have seen steady demand while those carrying in the automotive or retail space have seen volume fall off significantly, Cass noted. It expects this to improve through May as auto manufacturers come back online.
- Freight expenditures fell 18% YoY in April. The fact that expenditures fell less than shipments is an indication that the volume moving was higher revenue per shipment as a result of longer hauls,

Cass noted. "So those customers who remained open for business had a higher freight cost per shipment," the report reads.

Dive Insight:

As volume left the market in April, trucking spot rates quickly followed — dropping 10% YoY for reefers and 9% YoY for vans.

"From here, it's a question of whether this negative industry pricing is enough to flush out capacity," Cass wrote. "And if so, how much?"

The shippers left on the market are benefiting from lower rates, but carriers cutting capacity will be one indicator the market pricing could swing back in favor of the carrier.

Carriers have spoken about capacity downsizing in recent weeks, acknowledging it is already taking place.

"I think capacity rationalization is going to happen," Werner CEO Derek Leathers said on the company's earnings call last month. "It's happening already. We know in surveying fleets across our brokerage unit, that there are carriers parking trucks and/or downsizing their fleets actively, given where rates have went market wide, especially in the spot market."

Schneider CEO Mark Rourke similarly said this month his company was seeing a "tightening capacity situation" in its brokerage business.

But a more comprehensive view of the impact the current market has on capacity and smaller carriers might not show up until later in the second quarter.

"I do think it's too early to tell," C.H. Robinson CEO Bob Biesterfeld said last month when asked if he'd seen capacity leaving the market.

Tim Denoyer, ACT Research's vice president and senior analyst, anticipates improvement in the near term. "We doubt this will mark the bottom, but ... we think rates are close to bottom," he said in a statement. The mid-term outlook for freight, however, is uncertain, according to Denoyer. "Massive economic pressure will weigh on freight volumes for a long time, [and] excess capacity is still material."

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