AIR FREIGHT TRANSPORT OF AGRICULTURAL PRODUCTS IN CALIFORNIA

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Outline

Air Cargo in California’s Agricultural Exports

• Introduction
• Current Role
• Airports in California
• Future Role
• Data Sources
• International Air Cargo System
• Air Cargo System in California
• Issues
• Recommendations
Introduction

• Deliver the shipment to market before its commercial life expires
• Foreign grocery chain can be expected to pay premium prices only if produce arrives in good condition
• Window is often relatively brief for agricultural produce
• In some cases, the point of using air-freight is to reap financial rewards of being first to market with popular produce before prices are driven down
• Recent Examples:
  o California Fresh Cherry shippers
  o Organic Produce
Current Role

• California’s exports in 2004 = $10.4B
• California exports extensively to:
  ○ Japan
  ○ China
  ○ South Korea
  ○ Taiwan
  ○ Hong Kong
• California exports moderate amount to:
  ○ Europe
  ○ Latin America
• California exports very little to:
  ○ Canada
  ○ Mexico
Air Cargo’s Share of California Agricultural Exports

Figure 1-2.
Air Cargo’s Share of California’s Agricultural Exports
1996-2004
(Source: WISER)

O’Connell et al, May 2005
Leading Destinations of Exports

Figure 1-5.
Leading Regional Destinations
of California Airborne Agricultural Exports
(In Millions of Dollars)
Source: WISER
Approximately ½ of air cargo is shipped in passenger aircraft.

Two main Gateway Airports:
- LAX
- SFO

In 2004:
- LAX & SFO handled 98.8% of all airborne imports
- LAX & SFO handled 93.2% of all airborne exports
Future Role

• Reasons to expect increase in air cargo
  ○ Maritime Shipping
  ○ Expansion of worldwide demand of high-quality products
  ○ Multinational food companies showing interest
  ○ Agriculture’s increasing shift toward higher value added crops
  ○ Efforts to liberalize
    • Trade in Agricultural Products
    • International Air transport regulations
Typical Agriculture Shipping Scenario

- Grower
- Packing House
  - Freight Forwarder
  - Air Carrier
  - Integrator
  - Air Carrier
Data

- **WISER agricultural export data**
  - World Institute for Strategic Economic Research
  - Established in 2004 to continue the international trade data work of its predecessor Miser
- **UC Davis farm export data**
  - CDFA agreement AIC at UC Davis to measure value of California’s agricultural export trade
- **USDA ERS export data**
  - Estimates state’s of agricultural exports using Custom District-level export data compiled by the U.S. Census Bureau and state-level agricultural production data supplied by USDA's National Agricultural Statistics Service (NASS)
International Air Cargo System
# California Air Cargo System

## Table 4-1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports (In Millions of Dollars)</th>
<th>By Air (In Millions of Dollars)</th>
<th>%</th>
<th>By Sea (In Millions of Dollars)</th>
<th>%</th>
<th>By Land (In Millions of Dollars)</th>
<th>%</th>
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<tbody>
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<td>1997</td>
<td>$99,161</td>
<td>$61,266</td>
<td>61.8%</td>
<td>$17,899</td>
<td>18.1%</td>
<td>$19,996</td>
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<td>$95,768</td>
<td>$57,533</td>
<td>60.1%</td>
<td>$16,032</td>
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<td>$22,203</td>
<td>23.2%</td>
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<tr>
<td>1999</td>
<td>$97,920</td>
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<td>$14,217</td>
<td>14.5%</td>
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<td>2000</td>
<td>$119,640</td>
<td>$77,859</td>
<td>65.1%</td>
<td>$16,810</td>
<td>14.1%</td>
<td>$24,971</td>
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<td>2001</td>
<td>$106,777</td>
<td>$64,879</td>
<td>60.8%</td>
<td>$19,350</td>
<td>18.1%</td>
<td>$22,548</td>
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<td>2002</td>
<td>$92,214</td>
<td>$52,726</td>
<td>57.2%</td>
<td>$17,234</td>
<td>18.7%</td>
<td>$22,254</td>
<td>24.1%</td>
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<td>2003</td>
<td>$93,955</td>
<td>$50,375</td>
<td>53.6%</td>
<td>$19,878</td>
<td>21.1%</td>
<td>$23,742</td>
<td>25.3%</td>
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<td>2004</td>
<td>$109,968</td>
<td>$60,171</td>
<td>54.7%</td>
<td>$21,319</td>
<td>19.4%</td>
<td>$28,477</td>
<td>25.9%</td>
</tr>
</tbody>
</table>

Source: WISER
Issues

• Can California’s current air transport cope with the future?
  ○ Expected to Double or triple by 2025
Issues Cont.

- Two main Gateway Airports: LAX & SFO
- Issues with LAX
  - Little Space for Expansion
  - Faces Strict political opposition from neighboring communities incase of increase in flight operations
  - Highway access congested
- Issues with SFO
  - Flight delays due to weather & diversions
  - Slow to upgrade cargo handling capabilities
  - Highway access congested
Recommendations

Southern California
- LAX to shift activity to Ontario
- Migration to Ontario Airport and march GlobalPort
- San Diego to resolve issues regarding space for more freight flights

Northern California
- Oakland International to gain shares of SFO cargo traffic

Central Valley
- Sacramento International and Mather Field taking on a bigger role for freight

General
- FedEx or UPS to secure a larger share of the international air freight market to other airports
- Establishment of international air cargo service at airports nearer to where high value-added specialty crops are grown
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