

# New auto sales up in 2021, but long way from full recovery

By TOM KRISHER  
AP Auto Writer

DETROIT — U.S. new vehicle sales rebounded slightly last year from 2020's dismal numbers, but forecasters expect them to be more than 2 million below the years before the coronavirus pandemic.

The reason? Although there are plenty of customers who want to buy new vehicles at hefty prices, there still aren't enough computer chips available for the industry to fully crank up its factories. So supplies are short, prices are high, and many customers can't get what they want.

"Demand is not off at all," said Michelle Krebs, executive analyst for Cox Automotive. "What is off is sales, because the inventory doesn't exist."

Cox expects 2021 sales to be 14.9 million vehicles, up 2.5% from 2020, the year the pandemic hit the U.S. and forced the industry to shut down for eight weeks. But over the five years before the pandemic, sales averaged 17.3 million.



General Motors trucks sit in a gated parking lot next to the Economy Lot across from Bishop International Airport in Flint, Michigan, on Aug. 11, 2021.

Among the hardest hit by the chip shortage was General Motors, which was unseated by Toyota last year as the nation's top-selling automaker for the first time.

GM on Tuesday, Jan. 4 reported that last year's U.S. sales fell nearly 13% from 2020 levels to just over 2.2 million. Toyota, on the other hand, saw its sales rise 10.4% to just over 2.3 million.

Like other automakers, GM was forced to temporarily close factories during the year as it struggled to get semiconductors, especially early in the year. Krebs said she isn't sure if GM will be able to unseat Toyota this year because Toyota has managed the chip shortage better and has a faster distribution.

Among other automakers reporting full-year

sales numbers were Honda, with an 8.9% increase, and Hyundai, which saw an 18.6% jump.

Analysts and industry executives expect chip supplies to slowly improve this year, with more available in the second half. But it's not certain when they'll get back to pre-pandemic levels. The average gas-powered vehicle has about 1,000 chips, and electric vehicles can have more

than double that number.

IHS Markit analyst Phil Amsrud, who follows automotive chips, said supplies won't improve immediately.

"We're seeing 2022 as being an improvement over 2021, but it's not going to start January third or fourth," he said, adding that the second half should be better than the first.

There are signs that the number of vehicles on dealer lots is growing,

though. It rose to more than 1 million last month for the first time since August, Krebs said. But that's still 1.5 million below 2020 and 2.5 million fewer than in 2019.

Cox is predicting that U.S. new vehicle sales will increase by more than 1 million this year, to around 16 million.

Amsrud attributed the vehicle inventory growth more to automakers managing the chip shortage better, rather than any dramatic growth in chip supplies.

Many have diverted the chips they get to more expensive models with higher profit margins.

Because of strong demand and low supplies, J.D. Power says the average new vehicle price rose to \$45,743 in December, 20% higher than a year ago and the first time it finished above \$45,000.

Sedans definitely aren't driving demand for new vehicles. J.D. Power reports that SUVs and pickup trucks accounted for a record 80.2% of new vehicle sales in December.

## Manchin still a no, Biden's \$2 trillion bill on Democrats' back burner

By ALAN FRAM  
Associated Press

WASHINGTON — Democratic Sen. Joe Manchin said Tuesday, Jan. 4, that his opposition to President Joe Biden's roughly \$2 trillion package of social and environmental initiatives remains undimmed, as party leaders said work on the stalled measure was on hold until at least later this month.

Manchin, D-W.Va., told reporters that he's not currently negotiating with the White House over the standoff, but didn't rule out continuing talks. Manchin, who was his party's chief remaining holdout over months of talks, surprised and angered party leaders before Christmas by saying he could not support the legislation as written.

"I feel as strongly today as I did then," Manchin said in his first extended remarks since announcing his opposition on Dec. 19, when he cited concerns about the measure's impact on inflation and federal deficits. Other Democrats have dismissed those criticisms as unfounded.

His comments Jan. 4, along with leaders' concessions that the bill is on the back burner for now, suggested that the legislation's fate remains in doubt as the calendar slips ever closer to this November's congressional elections.

There are examples of flailing presidential priorities eventually clawing their way to passage, including then-President Barack Obama's health care overhaul, a 2009 effort that wasn't enacted until March 2010. But often, the prospects for obstructed bills fade over time as opponents mount offensives that weaken support from lawmakers seeking reelection in closely divided districts.

Democrats would need all their votes in the 50-50 Senate to advance the measure over unanimous Republican opposition. A version of the package has already passed the House.

Manchin has said the bill is too costly and wants to pare down the number of proposals in the wide-ranging measure. It currently would bolster family services, health care, climate change and other programs, and is mostly paid for with higher taxes on the wealthy and large corporations.

One of Manchin's targets is the bill's



Anna Moneymaker/Getty Images-TNS

Sen. Joe Manchin, D-W.Va., speaks to reporters as he leaves the Senate Chambers following a vote on Dec. 15, 2021, in Washington, D.C.

extension of a beefed-up child tax credit, a top goal for many Democrats, which has included recently expired monthly checks of up to \$300 for millions of recipients. Manchin said Tuesday he wants that benefit, which unemployed people can currently receive, narrowed to only help those with jobs.

Senate Majority Leader Chuck Schumer, D-N.Y., has said his chamber will focus early this month on voting rights legislation, another Democratic priority. He said he plans to hold votes on that issue by Jan. 17.

He also said Jan. 4 that "the stakes are high for us to find common ground" on the social and environment bill, which has been Biden's primary domestic priority for months. Schumer said negotiations are continuing and said Democrats will "keep working until we get something done."

No. 2 Senate Democratic leader Richard Durbin, D-Ill., said lawmakers "clearly will return" to the \$2 trillion package when their work on voting legislation is finished.

pendent family farmers and is on track to exceed 100 this year. It provides poultry products for about 1 million consumers, he said.

It's a unique and scalable model that focuses on financial stability and sustainability, and it brings solutions to the three pain points that exist with conglomerates, he said.

Those pain points are producers' lack of ownership of the animals and inventory on their farm, lack of operational control and the tournament pay system that plays farmers against each other, he said.

"This model has enabled a resilient community of thriving farmers while bringing the consumers the transparent and traceable products that they've been looking for," he said.

He's excited the administration is focused on increasing capabilities that create more options for family farmers, he said.

"We ourselves look forward to partnering on these new programs to expand and touch more farmers and communities," he said.

## GRIDLOCK

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are largely price-takers, meaning they cannot pass along higher costs.

Peter Friedmann, executive director of the Agriculture Transportation Coalition, a trade group in Washington, D.C., that represents U.S. agricultural exporters, said he has heard from at least one member — a hay grower in Washington — who did not bother cutting hay for the first time because he could not get his product through the ports.

Delayed and canceled shipments hurt agricultural exporters in another way, too. Once international customers turn elsewhere for products, Friedmann said U.S. producers risk losing them forever.

"If we can't deliver it affordably and dependably, our foreign customers will go somewhere else," he said. "The reality is, there is nothing we produce here in the U.S. agriculturally ... that can't be sourced from somewhere else in the world."

Experts say the logjam at ports will likely persist well into 2022, though new legislation and infrastructure improvements may help to alleviate the problem.

### 'Self-inflicted wounds'

Friedmann said there are several "self-inflicted wounds" that led to the current crisis.

Most terminals along the West Coast, he said, were built to accommodate smaller ships that carried 7,000 containers at a time. Today's largest vessels are almost a quarter-mile long and carry from 18,000 to more than 22,000 containers.

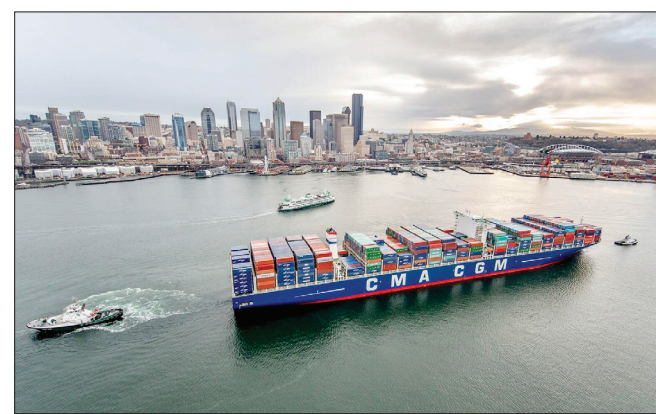
"There's no place to store this stuff when it gets off (the ship)," Friedmann said. That's especially true in cities where the docks are surrounded by busy downtown areas.

Friedmann said the U.S. also has some of the lowest allowable truck weights in the world, with California interstate highways capped at 80,000 pounds gross weight. Instead of hauling loads in one or two truckloads, he said it takes two or three, contributing to the shortage of chassis and drivers.

The American Trucking Associations estimated the driver shortage would hit a record high of more than 80,000 drivers by the end of the year.

Although these problems had been festering in the U.S. for decades, Friedmann said, the coronavirus pandemic brought them to a head in 2020.

COVID-19 caused shut-downs at ports and factories



Port of Seattle/Contributed Photo

The CMA-CGM Benjamin Franklin arrives in Elliott Bay and prepares to dock at the Port of Seattle.

in China, which limited the production and movement of products. Meanwhile, more Americans were stuck at home and shopping online, amping up demand for imported consumer products.

That created the perfect recipe for delays. Last month, a record 111 container ships were anchored off the Southern California coast, waiting to dock and unload their cargo.

"It's complete confusion," Friedmann said, adding that carrier service schedules have become "completely undependable."

In a recent survey, Agriculture Transportation Coalition members reported losing 22% of their export sales due to supply chain problems.

### 'Shipping fatigue'

At BOSSCO Trading, Jacobson, the international sales manager, and Shelly Boshart Davis, vice president of international sales, say they are left exhausted.

"There's this shipping fatigue that's really starting to set in," said Boshart Davis, who also serves as a Republican representative in the Oregon Legislature. "We pride ourselves on being flexible, but it feels like we're putting out fires every day, every hour, all the time."

BOSSCO Trading markets straw from about 40 grass seed farms around the Willamette Valley.

Once the seed crop is harvested, BOSSCO's crews arrive to rake and bale the leftover straw, which then goes to a hay press in Salem. The bales are loaded into shipping containers and sent to ports in Seattle, Tacoma and Portland via truck and rail.

Normally, BOSSCO Trading handles 2,200 containers in a year. However, Jacobson said it is becoming harder to find containers, as they are stuck on ships or at docks. Bookings from some carriers have also been canceled for months — called "vessel voids" — leaving products stranded.

Boshart Davis estimates the company's costs are up 100% to 150% between increased rates and fees, to say nothing of the mental

and emotional toll.

"When you can't be productive and efficient ... it costs a lot of money when you're scrambling all the time," she said.

Todd Fryhover, president of the Washington Apple Commission, said his members are under similar pressure.

Apples are Washington's most valuable agricultural commodity, with \$2.1 billion in sales in 2020. About 30% of the state's production is exported, though Fryhover said port congestion has producers concentrating this year more on North American markets as opposed to overseas.

But that also has a cost. For every 1 million boxes of fresh apples shifted into the U.S. domestic market, the price drops about 50 cents per box as supply begins to overtake demand, Fryhover said.

"The entire supply chain has been affected," he said. "It's not easy to point at one place and say, 'Fix this and everything will be better.' That's certainly not the case."

### Increasing capacity

The vast majority of marine cargo in the Northwest is handled by the ports of Seattle and Tacoma, Washington, governed by the Northwest Seaport Alliance. It is the fifth-busiest container gateway in the U.S., behind the ports of Los Angeles, Long Beach, New York-New Jersey and Savannah, Georgia.

Tom Bellerud, chief operations officer for the seaport alliance, said agriculture is a dominant exporter in the region.

Congestion has hampered the Seattle-Tacoma gateway, Bellerud said, though he sees signs that pressure may be letting up somewhat. The number of ships that were once backed up in Seattle — albeit not as extreme as Southern California — is now the lowest it has been "in a very long time," he said.

Both Seattle and Tacoma are using alternative container yards, freeing up valuable space on the terminal docks and allowing products to move more efficiently, he said.

## AGENDA

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towns would create opportunities for farmers, support local businesses and create good-paying jobs for rural folks, he said.

Sixth generation chicken producer Corwin Heatwole said he knew he had to do something different when dozens of farms around him were closing down and his own farm wasn't viable for the next generation.

"But there was no option for us to get our animals processed locally, and everyone kept telling us that farmers don't start chicken companies," the Harrisonburg, Virginia, farmer said.

But that's what he did, launching Farmer Focus in 2014 to process organic chickens.

"With no other options, we started a company with a mission to promote and protect generational family farms," he said.

Farmer Focus partners with 73 inde-