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South Florida shipping slows on credit crunch, weaker demand

South Florida Business Journal - by Bill Frogameni

South Florida's brisk export business finally seems to have hit a wall. After more than two years of strong, consistent growth stemming from a weak dollar and a booming global economy, exports from the region's six major ports decreased 2 percent in September, according to data from the **U.S. Census Bureau**.

Mark Freerks

American River International's Cari Cossio estimates her business saw a 5 percent to 7 percent drop in exports.

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At the same time, the Trade Data Services office of the bureau said imports had a 15 percent gain – which is surprising because it was out of sync with the 9.3 percent national decline in imports.

While September's strong imports statistics may be a one-month, South Florida anomaly, said Michael Connolly, professor of economics at the **University of Miami**, the long-term outlook is negative for both imports and exports due to the global economic slide.

A tightening of credit – whether that's a lack of favorable terms extended by shippers or bank financing – is compounding the problem, Connolly and others said.

"Right now, it's bad," said Melvyn Cohen, owner of Manaco International Freight Forwarding at Port Everglades. "The biggest problem, I would say, is the economies around the world. And the dollar is very high right now."

Cohen added: "We had a fantastic August, but didn't do as well in September. In October, we did even worse."

Cari Cossio, VP of **American River International**'s shipping location in Doral and also first VP of the Florida Customs Brokers and Forwarders Association (FCBF), estimated that her business saw a 5 percent to 7 percent drop in exports in September and October. That's consistent with what she's hearing from FCBF members, too. At the same time, buyers are requesting longer payment terms, even though sellers are reluctant to grant them. And, she said, banks are less likely to give letters of credit guaranteeing that sellers get paid.

Finance hesitancy, canceled orders

The mood in shipping is skittish across the globe, said Mark Mairowitz, who ran the recently shuttered Weston office of the **World Cargo Alliance Family of Logistic Networks** (WCA) and is now WCA's executive VP for Latin America in Buenos Aires. Mairowitz said he's seen shipments – even some in mid-route – get canceled because of tightened financing and liquidity issues.

"[Buyers] are canceling these orders because they can't get terms," he said.

The hesitancy to finance is consistent with the world mood, said David Konfino, executive VP of international banking at TotalBank in Miami. Konfino said TotalBank finances a number of international shipping deals that typically range from $500,000 to $5 million in value, but his bank – like most others – is slowing down in that area.

"It's no different from what's going on in the economy in general," he said. "Obviously, there's a lot less liquidity and a lot more concern about credit risk."

Yet, if South Florida has a saving grace, it's geography.

As gateway to the Americas, the region may have a better cushion against the coming downturn, said Jerry Haar, professor of management and international business at **Florida International University**.

Cargo brought here then rerouted for other countries plays a substantial role and will continue to do so, he said. "Is it important? Yes. And we have a lock on it."

But, even though South Florida's recent shipping statistics beat national averages, the overall economy still portends worse days to come, UM's Connolly said. Factor in the ripple effect from the region's particularly acute housing bust and the picture is grim.

"Going forward, things look really bad."

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