

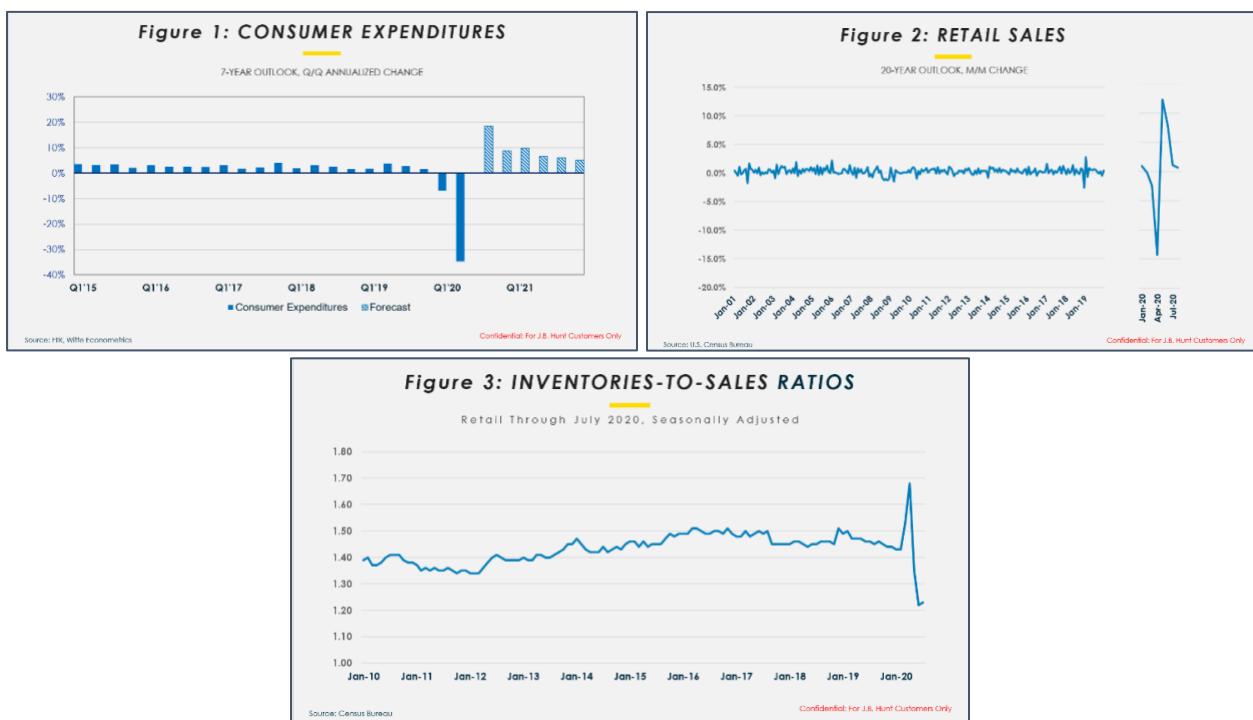


Dear Customer,

The events of 2020 have disrupted global supply chains, and we are continuing to realize the impacts on capacity, service and cost. During our Market Update on September 22nd, our J.B. Hunt executive leadership team shared its perspectives on the current state of our industry and how unpredictability in demand has affected every aspect of the supply chain. Below is a summary of the information covered.

DEMAND: Unpredictability Driving Dislocation

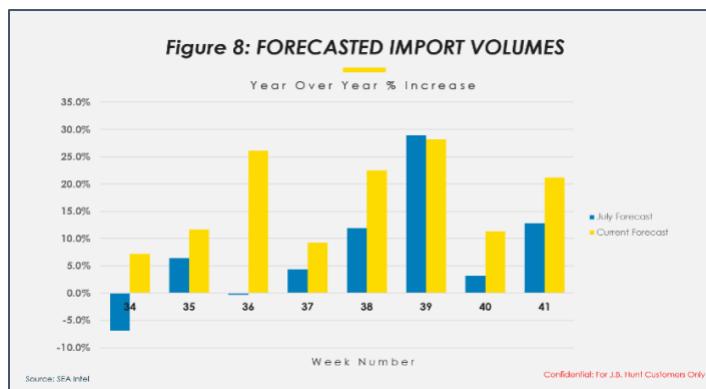
Beginning at the end of the first quarter of 2020, the spread of COVID-19 and corresponding closures across the nation of local economies generated drastic swings in consumer expenditures, retail sales and inventories of our customers as illustrated below (Figures 1-3).



When volatility materialized and replenishment began, increased load tenders were met with increased rejections due to the disruptions in capacity and customer supply chains. As production began to increase incrementally, the need to replenish store shelves quickly to meet consumer demand meant that supply chains and normal freight flows were augmented with different patterns such as more direct-to-store shipments. As this replenishment occurred from different locations and facilities, routing guides were not able to support the securement of capacity. As you can see below, tenders reached all-time highs while tender rejections followed the same trajectory (Figures 4/5).



While intermodal volumes have now exceeded typical averages, the market is struggling to regain balance partly due to the unpredictability of volume forecasts (Figure 8).



SUPPLY: Labor Challenges Impacting Capacity

Driver and Carrier Availability Slowed by Aid Programs and Licensing Hurdles

The April passage of the CARES Act, including the Paycheck Protection Program (PPP) and expanded unemployment benefits, offered businesses and workers some relief. Drivers and carriers may have leveraged the programs together to get a larger benefit than typical monthly wages earned while working. Many CARES Act benefits expired in August, but future aid packages at state and federal levels may extend the amount of time drivers and carriers remain off the road (Figure 6).

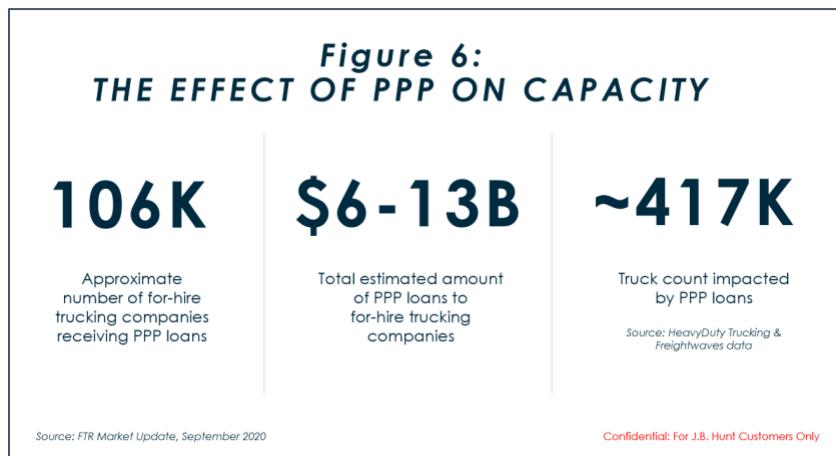
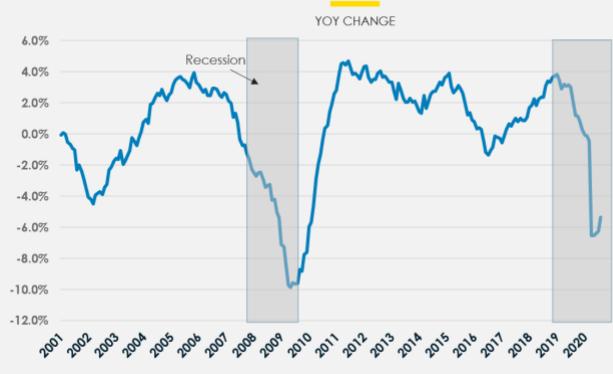




Figure 7: TRUCK TRANSPORTATION EMPLOYMENT



Source: BLS

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At the same time, the industry is seeing fewer new entrants to the job market. Closures of state licensing agencies and truck driving schools and resulting smaller class sizes could account for a loss of between 25,000 and 40,000 new truck drivers entering the workforce by year's end (Figure 7).

Workforce Availability Leading to Operational Delays

Labor challenges extend beyond drivers and into the broader transportation workforce. Earlier in the year, job losses at ports, docks and warehouses mounted quickly as workers were furloughed, or even laid off, with the initial uncertainty of business activity. Many of these workers may choose not to re-enter the workforce. Some may have found employment in other fields or have been utilizing their expanded unemployment benefits. Downstream, the labor shortage has lengthened the unload times for intermodal and truckload shipments, and the scarcity of skilled laborers for installations is resulting in longer lead times for in-home deliveries of big, bulky consumer purchases.

Moving Forward

As we head into the last stretch of a tumultuous year, we must continue to work together to adapt through a time of disruption. Some specific areas where we can cooperate and devise solutions that are beneficial for all include:

- Improve equipment utilization and reduce dwell times
- Collaborate to create accurate, data-driven forecasts
- Communicate continually and proactively about needs and priorities

Your J.B. Hunt point of contact will be in touch soon to discuss any questions you may have about market conditions and your transportation needs. They can also share important insights and data, driver facility ratings and operational characteristics to create efficiencies. You can also access these directly in your Shipper 360 account. We look forward to working closely with you throughout the remainder of the year.