"SHAP" TALK
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TRADE NEWS

Update on GSP and ATPA/ATPDEA

The Andean Trade Preference Act/Andean Trade Promotion and Drug Eradication Act (ATPA/ATPDEA) expired as expected on February 12, 2011. Duties must be paid on goods from Ecuador and Colombia. Peru is a part of the ATPA/ATPDEA but has its own free trade agreement in place, so most goods from Peru are not affected by the expiration of the ATPA/ATPDEA.

On February 8, 2011, legislation was introduced in the Senate (S.308) to renew the GSP program through June 2012. The legislation would make GSP retroactive to January 1, 2011, and includes timeframes for requesting refunds of duties that have been paid since the program lapsed on December 31, 2010. The proposed legislation also includes a provision to extend ATPA/ATPDEA through June 2012 but does not appear to include a provision for retroactive treatment. We will certainly let you know if this bill passes and when GSP and ATPA.ATPDEA would go back into effect. As of this writing, the bill has been referred to the Senate Finance Committee.

GSP last expired in September 2001 and was not renewed until August 2002. Customs is well aware of the disruption caused to the trade by the lapse of this program.

Customs 2010 Trade Data

U.S. Customs and Border Protection (CBP) has recently released its fiscal year 2010 trade data. The reports include illuminating import trends as well as statistics on cargo security. Customs' fiscal year runs from October 1st through September 30th.

In fiscal year 2010, Customs seized more than 4.14 million pounds of narcotics and more than $147 million in currency. Currency seizures were up by more than 30 percent over the last fiscal year. Over 1.7 million prohibited plant materials, meat, and animal byproducts were seized by CBP Agriculture Specialists, a 9.5 percent increase over 2009. 3,700 safety seizures were made in FY2010 along with 20,000 seizures for intellectual property rights violations.

Customs inspected 352 travelers and more than 105.8 cars, trucks, buses, trains, vessels and aircraft. Security along the southwest border was augmented significantly.

The Customs-Trade Partnership Against Terrorism (C-TPAT) program welcomed its 10,000th member and Customs completed over 3200 validations in FY2010. Shipments from C-TPAT members make up about half of the overall import value and about 35 percent by number of entries.

77 new radiation portal monitors were installed in FY2010 bringing the total to 1428 at land and sea ports of entry nationwide. 100 percent of containerized cargo and

personal vehicles from Canada and Mexico are scanned, and 99 percent of arriving ocean containers are scanned.

In FY2010, Customs processed about $2 trillion in import value and collected $32.3 billion in duties, taxes, and fees – increases of 15.8 percent and 9.5 percent, respectively, compared to FY2009. Over 28 million entries were filed, an increase of nearly 10 percent from FY 2009. Customs notes that the economic recovery is reflected in FY2010 trade statistics and that traditional trade patterns resumed last year. Customs expects modest growth in 2011.

The top countries of origin by import value are China, Canada, Mexico, Japan, USA (surprise!), and Germany. By quantity, more goods arrive in the U.S. by truck than by any other mode; by value, more goods arrive via ocean vessel.

Customs conducted 379 audits of importers and related parties. These audits resulted in the collection of nearly $23 million in revenue.

CBP established the multi-agency Import Safety Commercial Targeting and Analysis Center. For the first time, personnel from Immigration & Customs Enforcement, the Food and Drug Administration, the Consumer Product Safety Commission (CPSC), and the Department of Agriculture are working side-by-side to share information that better enables CBP to target and stop unsafe imports before they enter U.S. commerce. In conjunction with the CPSC, CBP also developed an automated system for standardized research and targeting for import safety product recalls.

CBP Fact Sheet on Securing America's Borders:
http://www.cbp.gov/xp/cgov/newsroom/fact_sheets/cbp_overview/fy2010_factsheet.xml

CBP Import Trade Trends:
http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/trade_trends/itt.ctt/itt.pdf

U.S. Cargo Theft Increased in 2010

FreightWatch International recently issued its annual report on U.S. cargo thefts for the year 2010. They tracked a 4.1% increase overall from the previous year.

The report included the following statistical information:

- The number of total recorded thefts was 899.
- 81% were container or full truckload thefts.
- 3.4% were warehouse facility burglaries.
- Approximately 49% of the thefts occurred at secured and unsecured parking locations including drop lots, facility yards, truck stops, and roadsides.
- 64% of the thefts occurred over the weekend.

- Thefts occurred most often in the states of California, Florida, Texas, and New Jersey; although all of the states referenced saw decreases in incidents, except for New Jersey which saw a 142% increase in theft incidents. The cargo most often stolen in New Jersey included beverages, apparel, shoes, and consumer care products.
- Pharmaceuticals represented the highest value cargo reported at approximately $3.78 million. Tobacco was second at $1.26 million, and electronics were third at $512,000.
- Food and beverage cargo represented the most popular cargo stolen at 21% of the total thefts. The items most stolen included canned/bottled drinks, tea, coffee, meats, rice, and sugar.
- Electronic products followed food and beverage cargo at 19%. Most thefts were of televisions, followed by computer hardware, and cell phones.
- The remaining products included in order of volume were apparel/shoes, building and industrial products, home and garden, miscellaneous products, consumer care, auto and parts, pharmaceuticals, alcoholic beverages, and tobacco.

The average value of a containerized shipment imported into the U.S. is $38,000.00. Samuel Shapiro & Company, Inc. can meet all of your insurance related needs including those related to cargo theft. If you are purchasing goods on a CIF basis, do not rely on the insurance offered by the foreign seller. Sellers are required to provide only minimal coverage and it may not necessarily cover the shipment to the door. In the event of a claim, you would have to deal with a foreign insurance agency. It is best to secure your own cargo insurance, even if the terms of sale are CIF.

Carriers limit their liability in the event of a loss. Carriers are not obligated to pay a loss that occurs outside of their control, or not directly caused by their negligence. Our customers can relieve the burden of proof necessary in such circumstances by insuring your cargo against physical loss and/or damage with Samuel Shapiro & Company, Inc.

We purchase large volumes of insurance, which allows us to provide competitive pricing and coverage for most shipments. We work with a transportation insurance broker and are therefore able to provide full coverage for high risk commodities. We are a transportation expert who has the relevant information needed to file a claim. We file all claim documentation on our customer's behalf, and we will follow up on a claim through the settlement decision.

For an insurance quote, please contact your Shapiro Account Coordinator or Transportation Service Representative.

BIS Changes link to the Export Administration Regulations

On February 8, 2011, the Bureau of Industry and Security (BIS) changed the link on its website for the Export Administration Regulations to go directly to the Government Printing Office e-CFR Site. This link will now take you directly to the Code of Federal Regulations (CFR) site for the EAR with a revised format. The CFR does not include the Commerce Control List (CCL) index or the legal authority, therefore, BIS has posted these files on the BIS website. The link to BIS's new EAR Landing site is http://www.bis.doc.gov/policiesandregulations/index.htm#ear

International Trade Administration Offering Free Export Webinars

As part of the Obama Administration's National Export Initiative to the double exports in the next five years, the Trade Information Center under the Department of Commerce is hosting a series of *FREE* one-hour webinars on the basics of exporting. These webinars are designed to meet the needs of new exporters, but all exporters should take a look at these webinars and give employees the opportunity to participate, whether they are new to export or have been exporting for quite some time. The information is up to date and can be used to enhance current employees' skills, ensure compliance in areas, and broaden understanding of the export process.

These webinars are being done by the Government agencies that are involved in exports on a daily basis. There is no fee to participate, but registration is required. Each webinar will begin at 2:00 p.m. EST and will last one hour. Content will include slides, live audio, and question-and-answer sessions.

To view an entire list of the webinars offered with dates and times, refer to the Export.Gov website at: http://www.export.gov/articles/eg_main_022213.asp

For more information about the webinars, contact Doug Barry or Roza Pace of the Trade Information Center, call (800) 872-8723 or e-mail: doug.barry@trade.gov or roza.pace@trade.gov.

U.S. International Trade in Goods and Services Highlights for December 2010

On February 11, 2011, the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, released the U.S. International Trade in Goods and Services Report for December 2010. Here are some highlights from Census on the report:

The U.S. international trade deficit increased to $498 billion in 2010, as imports increased more than exports. Exports increased 16.6% from 2009 to $1.8 trillion, and imports increased 19.7% to $2.3 trillion.

The increase in exports was driven by a $94 billion increase in exports of industrial supplies and a $55 billion increase in exports of capital goods. The largest export commodity in 2010 was semiconductors ($47 billion), followed by pharmaceutical preparations ($46.6 billion) and industrial machines ($42.7 billion). Our largest export trading partner was Canada ($248.8 billion), followed by Mexico ($163.3 billion) and China ($91.9 billion).

The increase in imports was driven by a $139 billion increase in imports of industrial supplies and an $80 billion increase in imports of capital goods. The largest import commodity in 2010 was crude oil ($252.1 billion), followed by passenger cars ($114.9 billion) and other household goods ($68.6 billion; this is the category that includes cell phones). Our largest import trading partner was China ($364.9 billion), followed by Canada ($276.5 billion) and Mexico ($229.7 billion).

For December 2010, exports increased 1.8% from November to $163.0 billion, and imports increased 2.6% to $203.5 billion.

For the third consecutive month, exports to China reached a record-high. The $10.1 billion in exports surpassed November's $9.5 billion. Combined with a $4.3 billion drop in imports, the trade deficit with China shrunk to $20.7 billion in December.

The Bureau of Economic Analysis (BEA) has also posted an annual summary for 2010 for Goods and Services, which, can be found on the Bureau of Economic Analysis website at:
http://www.bea.gov/newsreleases/international/trade/2011/trad1210.htm

TRANSPORTATION UPDATE

March 2011 Update

INDUSTRY NEWS:

USA Imports Expected to Increase 6 percent in First Half of 2011
Import cargo is expected to increase about 6 percent during the first half of this year based on surveys of the nation's top retailers that also happen to be some of the top importers in this country. Retailers say that strong growth in 2010 has them cautiously optimistic that economic recovery has taken hold in the USA. Consumer spending and confidence is up despite the persistent high unemployment and rising consumer prices at present. Many importers also noted that the rate of growth seen in 2010 will not be repeated.

Manufactured USA Exports Increased 20 Percent in 2010
U.S. manufactured exports rose 20 percent in 2010 with the top ten markets making up more than two-thirds of the increase as reported by the Bureau of Industry and Security. Exports to South Korea saw the largest increase at 37 percent. Exports rose 34 percent to Brazil, 31 percent to China, 26 percent to Mexico, 22 percent to Canada,

and 18 percent to Japan. The largest dollar volume increase was to Canada, which increased by $40 billion in 2010. Mexico had a $31 billion increase, and China had a $15 billion dollar increase as compared to the previous year.

Trans-Pacific Carriers Forecast Tight Capacity In 2011

During the "slack" shipping season in early January leading up to the Chinese New Year, the USA-bound volumes were at 95 percent full capacity to the USA East Coast ports and 88 percent full capacity to the USA West Coast ports. The TSA group of carriers, which represents fifteen of the largest carriers in the Asia to USA trade predicts tight vessel space and they warn that equipment shortages may develop later this year as we enter the traditional peak shipping season. Carriers are expecting a volume increase of 7 to 8 percent in the eastbound Trans-Pacific trade beginning in late spring. Carriers expect to grow capacity 8.8 percent to adjust to the growth in trade, keeping capacity slightly ahead of demand to maximize space and to generate enough revenue to reinvest in their networks while seeking fair and sustainable pricing. One problem that the carriers cannot help is that the container manufacturers in China are working at half of the peak production rate that they reported in 2008. The net result could be a shortage of equipment in certain markets.

Chinese Inflation May Narrow U.S. Trade Deficit

Market analysts are reporting that inflation is starting to slow China's enormous growth in exports as potential importers shy away from price increases for products made in China. Importers report markups in China of 20 to 50 percent on wearing apparel and footwear so many importers are seeking suppliers in lower cost developing countries. If this trend continues, we could see easing tensions between the United States and China caused by the U.S.'s huge trade deficit with China.

Currently China exports more than $4 of Chinese goods for each $1 of American goods that China imports. For more than a year now, the Obama administration has been pushing China to let the Chinese Renminbi rise in value against the U.S. dollar. Despite Chinese government intervention in the currency market to keep its currency artificially low, the flood of money has driven inflation and the Renminbi has increased 3.6 percent against the dollar since June 2010. Chinese officials have tried to curb inflation by raising minimum wages as much as 18.6 percent starting March 1st. Many Chinese manufacturers are worried about labor shortages which could push wages higher, so many companies are working to upgrade their factory equipment which may make them more competitive with the manufacturers in Europe and the United States.

OCEAN FREIGHT:

All Water Services from Asia to USA East Coast Highlights Growing Pains

Carriers expect to see demand on all water services to the U.S. East Coast continue to increase at a higher rate than services to and through the U.S. West Coast for cargo to and from Asia due to less capacity being allocated for the all water services.

Volumes moving from Asia to the East Coast through the Suez Canal grew at a faster rate than last year for business through the Panama Canal as volumes through the Suez Canal grew by 24 percent and volumes through the Panama Canal grew by 11 percent in the past year. Volumes through the Panama Canal still account for 90 percent of all water cargo flowing in and out of East Coast Ports by all water services.

Ships on all-water routes from Asian ports to U.S. East Coast ports ran full last year and are running at 90 percent capacity in the first weeks of 2011. Carriers expect these routes to run at full capacity by spring. Carriers complain that their all water routes to the U.S. East Coast are their least profitable due to the high cost of fuel so it is unlikely that the carriers will rush to increase capacity into those services.

The larger vessels that are required to increase capacity into the East Coast have been hampered by dredging issues that are still being worked on in New York. One solution that is working for some U.S. importers on the East Coast is taking advantage of the cheaper Asia to Europe service rates by using carriers that transship at Mediterranean shipping hubs that ship smaller vessels bound for the U.S. East Coast on round-the-world services that can be offered at lower rates.

Mediterranean Shipping Company grew business to the Port of Baltimore by implementing the Golden Gate Service where cargo gets shipped via the Suez Canal from Asia then direct to NY/NJ, Baltimore, Norfolk, and Charleston. Baltimore saw an increase of 8,000 containers per year on that particular service.

The Port Authority of NY/NJ urged Congress to support President Obama's budget proposal to approve $65 million to help the Army Corps of Engineers to stay on schedule to complete the deepening of port channels there to 50 feet by 2014 so that the ports can accommodate the larger vessels that could potentially bring more capacity to NY and other US East Coast ports. The Port Authority of NY/NJ has authorized $1 billion in funds to help pay for raising the Bayonne Bridge as well so that the current 151-foot clearance can be increased to 215 feet to accommodate larger vessels in the NY/NJ port area. This project won't be finished before 2014.

FMC Slow Steaming Investigation Begins

The Federal Maritime Commission (FMC) officially announced at a January 26 meeting that they are working on an inquiry into the effects of slow steaming on the maritime marketplace. The FMC is checking with shippers and importers to describe how slow steaming has affected their supply chains and how it has affected space and equipment availability. The FMC is asking the carriers to make comments on the advantages and disadvantages of slow steaming, how many vessels engage in the practice, and how the practice affects the carrier's ability to maintain enough capacity for shipments to and from the United States. The FMC is also interested in learning how slow steaming affects the cost of fuel and how the carrier's fuel surcharges would be affected. Comments from the industry are welcomed and are due by April 5.

Hapag-Lloyd and CMA Phase Out Providing Chassis
Hapag Lloyd has announced that they will phase out providing chassis at ports and inland intermodal rail terminals on the East, West and Gulf Coasts and in the Midwest starting April 1, 2011. CMA began to phase out providing chassis starting January 10, 2011. This is part of a trend where a number of the major shipping lines are getting out of the chassis business.

Truckers who previously used carrier-provided chassis will be forced to either lease or buy chassis to use when picking up containers from Hapag Lloyd and other carriers. This will increase trucking costs in areas where this is occurring.

Hapag-Lloyd said it would phase out providing chassis over the next seven months according to the following schedule:

April 1, 2011: Pittsburg, PA; Baltimore, MD; Philadelphia, PA
May 1, 2011: Dallas, TX; El Paso, TX; Houston, TX; Laredo, TX; Mobile, AL; New Orleans, LA: Kansas City, MO; St. Louis, MO.
June 1, 2011: Buffalo, NY; Boston/Worcester, MA; New York, NY
July 1, 2011: Huntsville, AL; Memphis, TN; Nashville, TN; Oakland, CA; Denver, CO; Salt Lake City, UT.
August 1, 2011: Portland, OR; Seattle, WA
September 1, 2011: Atlanta, GA; Birmingham, AL; Charleston, SC; Charlotte, NC; Jacksonville, FL; Savannah, GA; Tampa, FL
October 1, 2011: Chicago, IL; Detroit, MI; Indianapolis, IN; Louisville, KY; Milwaukee, WI; Minneapolis, MN; Omaha, NE
To be announced: Phoenix, AZ; Norfolk/Hampton Roads, VA

CMA's schedule to phase out providing chassis is as follows:

January 10, 2011: Jacksonville, FL; Charleston, SC; Savannah, GA
January 17, 2011: New York, NY; Houston, TX; Dallas, TX
February 1, 2011: Memphis, TN; Nashville, TN; Kansas City, MO; St. Louis, MO; Chicago, IL; Detroit, MI; all Eastern Port IPI locations (rail yards)
March 1, 2011: Los Angeles, CA; Long Beach, CA; Oakland, CA; Seattle, WA; all Western Port rail IPI locations

MSC Raises Export Rates to Asia and postpones GRI from Indian Subcontinent
Mediterranean Shipping Company announced that effective March 15 they will raise their pricing from USA to Asia by \$100/20', \$200/40', and \$150/20' reefer and \$300/40' reefer. The previously announced General Rate Increase (GRI) from all ports in the Indian Subcontinent has been postponed until March 17. The GRI is set to be \$200/20' and \$400/40.

CSAV and China Shipping Announces Additional All-Water Service to US East Coast
China Shipping and CSAV have announced a shared all-water service linking Asian ports to U.S. East Coast ports via the Panama Canal effective March 21. The new

Amex Sling 2 will use nine ships with capacities of 4200 TEUs. The service rotation will be Shanghai, Xiamen, Yantian, Hong Kong, Lazaro Cardenas Mexico, NY, Norfolk, Savannah, Miami, then back to Lazaro Cardenas and Shanghai.

Hapag Lloyd Announces GRI for Exports to East Asia
Effective April 1, Hapag Lloyd will increase its rates from all North American points to East Asia, Indian Subcontinent, and Middle East at $240/20' and $300, except India which will be $220/20', and $275/40'.

Tariff Exemption for NVOCCs Approved by the FMC
The FMC approved a ruling in February that would exempt NVOCCs from the legal requirement to use published tariffs for the basis of making rates. This new regulation would allow NVOCCs to negotiate "rate arrangements" with its customers. The commission announced that they would publish the final draft on February 23 and the new rule would take effect in mid-April.

AIRFREIGHT:

Asia Air Freight Volumes Hit Record in 2010 While Rates Drop
Airline Cargo traffic for Asia-Pacific airlines grew 24.2 percent in 2010 in a surprising rebound that pushed freight levels far beyond pre-recession levels according to the Association of Asia-Pacific Airlines. Asian carriers posted volumes of 64.6 billion air freight ton kilometers. In that same period, airfreight prices out of Asia dropped almost 32 percent as compared to the year before. The International Air Transport Association reported that the increase in available freight space and capacity grew by 14 percent. Airfreight pricing went through the roof when air carriers parked more than 200 freighters during the economic downturn in 2008-2009, but the return to service has caused the rates to return to more reasonable levels.

American Airlines starts new direct Japan Service from JFK to Tokyo
Beginning February 18, 2011, American Airlines began a new nonstop daily service from JFK Airport to Tokyo's Haneda Airport using 777 Aircraft.

DOMESTIC/TRUCKING:

Diesel Surges 7.5 Cents Per Gallon To Top $3.50 Per Gallon
Fuel prices have increased for the 10th consecutive week and increased 7.5 cents recently to an average of $3.513 per gallon. This is an increase in fuel prices of 74.4 cents per gallon over one year ago. Crude oil figures hit $91.86 per barrel in January as the New York Mercantile Exchange worried about the political instability in Egypt and its affect on transit through the Suez Canal.

As a result of rising fuel costs, truckload rates are expected to rise from five to ten percent in the coming year.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Employee of the Month

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company. This month, we would like to recognize Robin Hargrove, Atlanta Import Manager, for her outstanding performance and contributions.

We encourage you to provide us with employee feedback! Please email us at hr@shapiro.com.

WE WANT TO HEAR FROM YOU!

Do you have suggestions for an article? Is there a topic you'd like us to cover in a future issue? Please let us know! Send your feedback to shaptalk@shapiro.com.