"SHAP" TALK

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In this issue:

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TRADE & TRANSPORTATION NEWS

INDUSTRY NEWS:
ILA-USMX Tentative Agreement for New Master Contract Avoids Strike

Port operations for the U.S. East and Gulf Coast will not see a strike by ILA Labor after all. The Federal Mediation and Conciliation Service announced in a statement late on February 2nd that a tentative agreement for a 6-year Master Contract has been reached between the United States Maritime Alliance (USMX) and the International Longshoremen Association (ILA). This agreement still must be ratified by both parties and details cannot be disclosed due to a long-standing confidentiality policy.

The deal prevents a work stoppage at U.S. East and Gulf Coast ports. If this tentative agreement is ratified, the new labor contract will bring much needed stability to the supply chain for retailers, manufacturers, farmers, and other related industries that rely on the nation's ports for their commerce and trade.

U.S. Trade Policies to Bend as Developing Nations See Continued Growth

As the world becomes more economically entangled, developing countries are growing and competing much more aggressively. Among the top emerging markets are Brazil, China, Indonesia, Mexico, Russia and Turkey. Based on purchasing power these countries are part of the top 20 economies in the world and as such are heavily involved in the World Trade Organization (WTO). They continuously protest against U.S. trading policies and are sometimes willing to stop trade with the U.S. to halt American infiltration into their large emerging markets.

Other key players in the world economy are Egypt, Iran, Nigeria, and Vietnam. There is a lot of potential for trade with these emerging economies but political, social and economic stability needs to be accomplished first in order to successfully grow their economies.

As these developing markets continue to grow at a rapid pace, the U.S. will need to continue to do business with them to take full advantage of its export potential as the demand for consumer goods rises. The issue at hand is that these countries have high trade barriers and have rebooted their home industries. As a result these countries will promote home companies at the expense of foreign competitors. The U.S. is having a tough time convincing these countries to adopt fair free trade in the world economy.

Trade policy makers in the U.S. need to find a way to appease emerging markets but continue to keep us one step ahead of the competition. This may result in being a little more flexible with future trade agreements. Dropping some of the U.S.'s trade barriers is also another way to bolster ties with these new emerging markets.

The last option for the U.S. is to make use of the WTO. The WTO will assist in helping the U.S. to engage the representatives to encourage these countries to uphold trade rules. This would help the U.S. to stimulate its own economy while promoting free markets and democracy as a sustainable economic model.

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China's Exports Continue Growth Pattern at a Slower Pace

Chinese exports ended on a high note at the close of 2012, yet fell off the pace of 2011.The Chinese government set a goal of a 10% increase from 2011 but fell short at 7.9%. This is disappointing to Chinese officials who in recent years have seen yearly increases of 14%. Considering the global downturn as a result of the recession in Europe, the growth this past year was better than many trade analysts expected. Analysts believed that the Chinese government was a little zealous with its 10 percent projected growth, yet the actual growth exceeded what many were expecting to see.

Xianfang Ren, a senior Chinese economist, points out that 2012 was a successful year for Chinese exports. Even though it wasn't at what they wanted it to be, the export market did very well during a worldwide economic downturn. He continues to give caution for 2013 which may be weaker. The demand has decreased tied with more short-term export orders. With shrinkage in the Euro zone and the slowdown in the U.S. economy, China will face another difficult battle in 2013 to continue its export growth.

Trade Between North American Neighbors Continues to Increase

NAFTA (North American Free Trade Agreement) has continued to foster increased trade in North America. U.S. trade between Mexico and Canada has soared 7.6% from last year and trade from September to October 2012 increased by 9.8%. The U.S. increased trade with Mexico by 13.1% and 4.3% with Canada from the previous year.

Trade in October hit a high of $61.7 billion after inflation and exchange rates. This is a 38.9% increase in trade from October 2009 which was shortly after the end of the last recession.

With our long borders with Canada to the north and Mexico to the south, approximately 86.5% of NAFTA trade by is by land, with 9.5% by ship and 4% by air. Texas is the transit point between the U.S. and Mexico, while Michigan in the is the main corridor for goods moved over land between the U.S. and Canada.

The main commodity traded with Canada is vehicles, while electronic machinery is the main commodity traded between the U.S. and Mexico.

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OCEAN FREIGHT:

Ocean Carriers Seek to Increase Suez Services

As cargo increases from Asia to the U.S. East Coast, several ocean carriers are taking a keen look at increased use of the Suez Canal. Most carriers are starting to consolidate and reduce some of their shipments via the Panama Canal.

Grand Alliance (OOCL, NYK, and Hapag-Lloyd) and the New World Alliance (APL, Hyundai, and MOL) have already announced plans to use the Suez Canal from Asia to the U.S. East Coast. These carriers have difficulty making a profit on the Panama Canal, and thus are led to moving shipments via the Suez Canal.

Carriers such as MSC and Maersk have a significant number of Post Panamax ships and are looking to deploy 8,000 TEU's. Even though Post Panamax ships are the must-haves, some carriers like COSCO, K-Line, and Yang Ming have decided not to deploy such large ships on the Suez Canal. It has been proven that the new Post Panamax ships are now 30% more fuel efficient than earlier Pre Panamax ships with an overall savings of $40,000 per day in fuel costs.

U.S. retail importers don't want to pay the high shipping cost associated with the Panama Canal movement. In the future expect to see more cargo coming from other Asian countries such as Vietnam, India, and Indonesia via the Suez Canal to the U.S. East and Gulf Coasts.

India Supports Exporters to Promote Growth in 2013

The government of India has announced it will implement new policies to promote growth in exports as it is experiencing a widening gap in its trade imbalance recently. India will extend a 2 percent interest subsidy on pre and post shipment export credit for a period of one year. This policy is supposed to start in the beginning of 2013 and end in March 2014. The subsidies will apply to labor intensive concentrated markets such as handicrafts, handlooms, garments, agricultural products, sporting goods, and toys.

The Indian government is also starting a "Pilot Scheme" to allow banks to give 2 percent subsidies for exporters of cargo shipments bound to (SAARC) South Asian Association for Regional Cooperation. This scheme will start immediately with $500 million in funding to begin with.

Indian exports have fallen 5.95% percent to $189.2 billion from April 2012 to November 2012. India has set a goal for its exports of $360 billion for 2012/2013 and $500 billion for 2013/2014.

Exports Spur Growth for the Port of Charleston

In 2012, the Port of Charleston's two terminals saw a 9.6% increase compared to 2011 with 1.5 million TEU's. For December 2012 there was a 13% increase in volume from December 2011 with 124,120 TEU's.

With the increase in export growth out of Charleston, there was a 12% increase in total container traffic by midway through the year as new carrier services have seen Charleston's potential and high performance levels. This new business has expanded the port's reach to foreign markets like Australia and Vietnam.

Export GRI for Asia Bound Cargo Delayed until March

Hapag, Evergreen, Yang Ming, U.S. Lines, and CMA have postponed their GRI for transshipments from US/Canada to Asia (Far East, Indian subcontinent and Middle East). The rate was already postponed from January 15 to February 15. Now the GRI is set for March 1, 2012 at $160/20' and $200/40'.

AIRFREIGHT:

Cathay Opens New Hong Kong Terminal in February

Cathay Pacific Services is expected to open a new terminal at the Hong Kong International Airport on February 21st. Cathay Pacific Airways is the parent company of Cathay Pacific Service. In order to make a smooth transition there will be 3 stages. The first is on February 21st; when the airport will begin handling cargo, transit civil mail and interface transshipments for Cathay Pacific Airways and Dragonair. This summer the new terminal will begin handling import cargo and empty ULD release. It is expected that by late 2013 the terminal will achieve full operations.

This new terminal investment is worth about $761million and is particularly intended to be an operations cargo hub. The new terminal is capable of handling 2.6 million metric tons of cargo a year.

Asia's Air Cargo Industry Sees Very Little Growth on the Horizon

As the Chinese New Year fast approaches on February 10, 2013, we are seeing a rise in ocean rates and ocean cargo in and out of China. While most benefit from the trade boom before China shuts down for celebration, a gain in air cargo from this period is less certain. U.S. importers are managing their supply chains more efficiently and have less need for just-in-time deliveries, which hurts the air shipping market.

Chinese and Hong Kong airports have seen minimal increase in the past month but not as much as in previous years. The lack of transparency could come from the fact that the Chinese New Year falls a little later this year than in 2012 which tips the data for both January and February. A spokesman for the Airport Authority of Hong Kong said it would use the figures of January 2012 to February 2013 for comparison.

Air Carriers Languish Due to Slow Demand

Air cargo carriers would love to view 2013 as a year of growth, but that outlook seems very unlikely. The airfreight market continues to be a struggling industry. The airfreight industry did see small growth in 2012, even with cuts to airfreight movement and excess aircrafts that were not put to use. This industry does get small breaks with market demand surges like the launch of the iPhone 5 and iPad mini.

Competition between airlines has always been severe, causing prices to go down dramatically. Airlines cannot remain competitive by locking in contract rates because the practice of providing spot or discounted rates has become the norm as a result of a weak market. When the market is strong the airlines can afford to lock in customers to contract rates but we have not seen such strength in the market this past year.

With low growth in the air cargo business, some all-cargo carriers such as Cargoitalia and Jade have gone out of business. Passenger airlines with cargo divisions feel the liability of finding space to fill their cargo aircraft.

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Airlines have already started to cut cargo freight schedules and consolidate shipments with high costs and a predicted gloomy first half of 2013.

China's booming coastal cities have driven manufacturing prices up. As a result, textile and garment production is being moved to less costly places like India, Bangladesh, and Cambodia. This will cause the development of airport hubs in new countries which could bring back some business to this struggling market.

Electronics have always dominated air-cargo. Now we are starting to see fruit as a key commodity. China's huge growing middle class demands fresh fruit which could give the boost to needed to save the shrinking air cargo market.

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SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Promotes Corey Wagner to Regional Director of Sales

Samuel Shapiro & Company, Inc. recently announced the promotion of Corey Wagner to Regional Director of Sales at its Decatur, GA branch.

Corey Wagner came to Shapiro in the summer of 2011 as an intern for the Sales and Marketing Department. Throughout his internship with Shapiro, Wagner attended Clayton State University while working for its Computer Technical Center as an analyst and marketing team member. His university work involved marketing videos and advertisements, social network management, call center and customer satisfaction metrics, as well as troubleshooting for the university's students and faculty. Some of Wagner's many honors from Clayton State include the 2012 Regional and National Student Award for Advancement of Management, the Hope Scholarship, the Marketing Service and Leadership Award, consecutively winning the 2011 and 2012 Society for Advancement of Management case competition with Clayton team members, and a nomination to the School of Business Advisory Board as a student ambassador.

Upon graduation from Clayton State University with a bachelor's degree in business administration, Wagner was invited to join Shapiro as Regional Director of Sales. He showed exceptional work during his internship, assisting with creative marketing as well as business development and sales support. Since his promotion to sales, Wagner has undergone an extensive training program at the company's headquarters in Baltimore, MD, learning Customs compliance, brokerage, and freight forwarding. He plans on focusing efforts towards supporting Shapiro's current customer base in addition to growing its South Atlantic regional sales.

"International transportation has always been an interest of mine," says Wagner. "It wasn't until I started working with Shapiro that I was able to understand the role freight forwarding plays in today's economy. I am very lucky to have found a company that genuinely cares about the success and satisfaction of its customers, as well as the happiness of its employees. I'm looking forward to an exciting year of new experiences and hard work."

"Corey Wagner 'grew up' in our Marketing Department where he showed that compelling and modern creative work can go hand in hand with old school dedication and professionalism," says Robert Burdette, Vice President of Strategic Development for Samuel Shapiro & Company, Inc. "He then spent a year working in the trenches for our Global Supply Chain and freight forwarding groups where he learned the core principles and practices of a nimble 3PL. ll I can say to prospects in the Southeast U.S. is 'look out, Wagner has arrived!'"

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 Belinda Henson, Senior Import Transportation Service Representative in Baltimore, 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.