



# COVID19 Supply “Pain” News

## A Condensed Update for American Shippers

These certainly are challenging times for all of us. During this unprecedented pandemic, we have compiled a condensed update of supply chain conditions. The below is the status of events effective **April 15, 2020**.

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### **Quote of the Week:**

*“...if you can’t run, then walk, if you can’t walk, then crawl, but whatever you do, you have to keep moving forward.”*

– Martin Luther King, Jr.

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### **Food and Beverage Supply Chains in Crisis**

- Food and beverage supply chains are being put to the test as lockdowns and infected employees have continued to cause widespread production and distribution delays
- Consumer spending surges as individuals and families “stay-in” to eat and overstock pantries to avoid running out of food and other household staples
- People are eating at home six nights per week on average, which is double the normal rate
- Reportedly, 69% of consumers are prioritizing product availability over brand loyalty and will purchase new or private label brands if their preferred choice is not available
- Countries with few food source alternatives are at high-risk as border closures, movement restrictions and disruptions in the shipping and aviation industries make it harder to continue food production and the transportation of goods internationally
- Meat shortages loom on the horizon as Tyson, JBS U.S. Holdings, Cargill Meat Solutions, Smithfield and other large companies close meat processing facilities due to concerns of COVID-19 spreading amongst sick employees

- The seafood industry is in turmoil due to its high dependency on the restaurant sector, which has resulted in sales dropping by as much as 95% for fisheries
- Dairy farmers across America are being asked to dump thousands of gallons of milk due to widespread closures of schools, restaurants and other foodservice facilities
- Private companies and organizations have called for immediate action to help address the looming food shortages we may be facing
- Shipt and Instacart orders have increased by a reported 124% – 218% as consumer behaviors change

## U.S. Financial Update

- The Federal Reserve took additional steps to bolster the US economy last week by announcing an extra \$2.3 trillion in available loans for small and medium sized businesses; \$600 billion of which has been allocated for the Main Street Lending Program
- The IRS began sending out the first wave of stimulus checks starting on April 11<sup>th</sup>; many Americans will receive a much-needed boost to their bank accounts this week via direct deposit
- The American Bankers Association announced that 820,000 loans are being processed, totaling approximately \$205 billion appropriated for the Paycheck Protection Program (PPP)
- Pricing wars are possible for those that sell “essential products”, as small to mid-size companies fight to gain shares in growing markets such as food, paper products and medical supplies
- Some US States on the East and West coasts are forming regional pacts in an effort to work together on state reopening plans once stay-at-home orders end
  - **East Coast:** New York, New Jersey, Connecticut, Pennsylvania, Delaware, Rhode Island and Massachusetts each plan to name a public health and economic official to a regional working group, which will work to design a reopening plan
  - **West Coast:** California, Washington and Oregon also announced that they are joining forces in a plan to begin the incremental release of stay-at-home orders
- Intermodal rail volume is the weakest in a nearly a decade with analysts fearing nearly \$9 billion in losses for Class I railroads
- U.S. seaborne imports fell 10.1% in March, including a 34% decline from China

## Air Cargo Rates Take-Off as Airline Profits are Grounded

- Global airfreight space is extremely tight as capacity continues to be devoted to urgently needed medical equipment and supplies
- Airlines are canceling flights at the last minute, in addition to shifting crews and aircrafts, thereby affecting schedules throughout the air cargo supply chain
- Rates continue to hit record highs, reaching \$10/kg from Asia to the US
- Global air cargo capacity is down by at least double digits across all trade lanes, and remains 35% below 2019 levels
- Qatar Airways Cargo has transported over 50,000,000 kgs of medical and aid supplies to impacted regions around the globe in the past month; this represents the equivalent of 500 fully loaded 777 freighters
- Atlas Air, National Airlines, UPS, FedEx, Kalitta Air, and Western Global Airlines are all participating in Project Airbridge and will be coordinating emergency air freight shipments with the Federal Emergency Management Agency (FEMA)
- Project Airbridge stats as of April 13:
  - 37 flights completed, with an additional 43 flights scheduled
  - Delivered 39 million gloves, 97,000 gowns and 106,000 shoe covers
- United Airlines and Sun Country Airlines are offering free flights to health care workers traveling to assist hospitals during the outbreak
- The International Air Transport Association (IATA) has adjusted their estimate to \$314 billion in losses for the airline industry in 2020
- Many airlines have announced plans to evaluate retiring older aircrafts from their fleets

## CBP Officers at Risk During COVID-19 Outbreak

- CBP is operating normally to date, despite confirmation of 202 CBP officers testing positive, including 73 in NY; data has not been released on the specific terminals affected, or what sanitation procedures CBP is taking to limit the spread
- FEMA has restricted all critical supplies from leaving the US, banning the exportation of medical products including Filtering Facepiece Respirators, Elastomeric Air-Purifying Respirators, PPE surgical masks, and PPE gloves or surgical gloves; the full details were [posted in the Federal Register on April 10](#)

- CBP has been sending out guidance docs for donations to the trade community via CSMS on processing merchandise imported for relief efforts in response to the pandemic; it covers the importation of international donations accepted by FEMA and US charities
- The FDA granted more Emergency Use Authorizations, including 2 blood purifier devices to assist in ICUs
- CBP seized shipments at LAX from the UK connected to fraudulent claims about treating and curing COVID-19; since then, the FDA has pulled a range of fraudulent COVID-19 supplies, such as test kits and face masks
- Some exclusions that were [set to expire on April 18 have been extended](#) by USTR, with the June exclusion comment period remaining open; we are likely to see more exclusions from List 4a as well as medical device HTS numbers in upcoming weeks
- USTR is seeking comments, until at least June 25, 2020, on [medical devices that should be excluded from Section 301 tariffs](#) to allow imports without the 25% or 7.5% duties
- CPSC is continuing their ACE 2020 deployment as planned
- APHIS is accepting certain Document Imaging System (DIS) certificates to help streamline their process during the pandemic

## Asia: China Returns to the Field, but Who is Buying?

- China reported only 108 new coronavirus cases this past week, though this is the highest number of new cases in nearly six weeks; it's believed to be driven by a rise in infected travelers arriving from overseas
- China still has many restrictions in place, which includes temperatures being taken before entry into apartment buildings, restaurants, offices, ports, airports and many commercial roads
- Singapore has banned social gatherings and shut workplace which until May 4, except for "essential" services and key economic sectors to contain virus
- Japan will extend an entry ban to foreign nationals from 73 countries and regions including the US, Britain and Canada until the end of April
- Malaysia has extended restrictions on movement and travel until April 28; they declared its administrative capital of Putrajaya as a "red zone" following a surge in the cases in the region
- In response to weakening demand, ocean carriers have announced unprecedented Transpacific blank sailings as they struggle to keep sustainable rate levels

- **U.S. West Coast:**
  - Ocean Alliance will blank 11% of its capacity through mid-June
  - THE Alliance is blanking 21% of its capacity into June
  - 2M Alliance announced cancellation of 22% of its capacity into June
- **Asia to East Coast:**
  - Ocean Alliance scheduled blank sailings, totaling 11% of its capacity
  - THE Alliance and 2M Alliance will each blank 19% of their capacity
- The combined decrease in capacity equals over 3 million containers
- The April 15 planned market GRI did not hold, a sure sign of weak demand
- Ocean carriers are scrambling to re-define Bunker Adjustment Factor (BAF) policies and clauses as annual contracts are put in place; current BAF formulas would cost carriers as much as \$300 – \$400 per container by July 1, 2020

## **New York Port Update**

- With 7.5M TEUs a year, NY serves 27 million local consumers and 96 million more in the Midwest, Southeast and eastern Canada
- NY terminals move as many as 30,000 boxes per workday
- Despite many illnesses in the region, the port is operating under normal hours
- All supply chain partners, from marine terminal operators and longshore labor to truckers and warehouse and distribution center operators are working hard to sustain the economy and support all consumers in local and extended markets
- NY has implemented extensive routine deep cleaning and sanitization of their terminals and social distancing measures, among other procedures
- While inbound cargo from China is expected to rise, volume on other routes is steadily declining; thus, the Port Authority says it is no longer as concerned about container bottlenecks and port congestion in April and May
- Close to 90% of local warehouse operators say that they have space capacity
- 50 of those warehouses have more than 15% capacity, totaling about 2 million square feet; this equates to storage for about 100,000 TEU

## U.S. Trucking: “Essential” Goods Shipping is only Bright Spot

- The Federal Motor Carrier Safety Administration (FMCSA) extended the current COVID-19 Emergency Declaration through May 15; the declaration provides targeted regulatory relief for carriers transporting “essential” goods
- The U.S. weekly diesel truck stop actual price per gallon average has declined from \$2.68 to \$2.47 over the past four weeks; the 7.8% decrease can be attributed primarily to demand declines amid widespread stay-at-home orders
- Truckload linehaul rates in March realized their biggest decline since the 2007 financial crisis, representing a 9.2% reduction vs. March 2019
- Cross-border freight from Mexico is experiencing a 20% decrease in volume primarily due to diminished demand from the US automotive industry
- Frustration is mounting in the Long Beach drayage community as terminal gates are intermittently closed and/or local management is implementing shorter hours of operations without notice
- While the Ports of LA/LG and NY/NJ continue to experience challenges with driver wait time, Chicago’s rail ramps are faring reasonably well in comparison...
  - Average trucker turnaround:
    - **Los Angeles/Long Beach:** 3 hours
    - **New York/New Jersey:** 3.5 hours
    - **Chicago:** 1.5 hours

## Spotlight: Latin America

- **Peru:**
  - Country still in lockdown, which is cutting population movement by 89%; they plan to gradually restart activities in May
  - No major export disruptions are reported as most manufacturers are open and operating
  - Most office employees are working from home, and “essential” businesses are still operating with preventive health measures in place
  - Marine terminals are operating at 80% efficiencies due to decontamination measures; however, cargo volumes are reduced by at least 20%

- **Brazil:**
    - This week some companies started to operate with reduced staff and safety measures; overall manufacturing market is quite slow
    - Larger companies are more active, while smaller firms are either closed or operating at minimum capacity
    - Recent equipment scarcity problems are reduced, but experts expect the problem to return as blank sailings out of Asia increase again in May and June
    - Currently, finding special equipment (reefers, open-tops, 45s) in Brazil is very difficult
    - Recent booking delays have evaporated with plentiful allocations available
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### **Shap Fact of the Week:**

*Though more lethal, the Spanish Flu was found to be fundamentally similar to other strands of influenza that caused previous epidemics. Its high death rate could be attributed to overcrowding in military camps and cities.*

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The leadership and staff of Shapiro understand the personal and business anxiety each of you is experiencing. We want nothing but safety today and a return to normalcy tomorrow for you and your families. Please reach out to us if you have any questions—or if we can assist you in any way.

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