"SHAP" TALK

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TRADE NEWS

Inbound Air Cargo Security Changes

The Transportation Security Administration (TSA), the U. S. agency responsible to protect the nation's transportation systems, has placed additional security requirements on all air cargo inbound to the U.S.

The TSA has issued separate directives to Passenger and Cargo only aircraft operators, and while not all directives are shared with us and some are sensitive security information, below are the main points required of passenger airlines carrying cargo.

A. The foreign air carrier must not accept for transport on any aircraft any shipments originating or transferring from, or transiting through, any point within: Somalia or Yemen (countries listed currently).

B. The foreign air carrier must not accept for transport on any passenger aircraft any "Elevated Risk Cargo." Elevated Risk Cargo is cargo that meets one or more of the following criteria:

1. The supporting shipping documentation (including air waybills and manifests) for the cargo shipment is described as "personal effects" or "household goods" or the commodity information is determined to be missing or inaccurate; OR
2. The shipment is paid for by cash or personal check or shipped Cash on Delivery; OR
3. The shipper does not have all of the following:
    a. An established business relationship of more than 30 calendar days AND
    b. An established shipping address AND
    c. An established billing address OR
4. The International Air Transport Association (IATA)-registered agent, other cargo agent, freight forwarder, consolidator, or air carrier does not have all of the following:
    a. An established business relationship of more than 30 calendar days AND
    b. An established shipping address AND
    c. An established billing address
5. Cargo accepted from a foreign air carrier's direct employees or authorized representatives.

If you have any concerns regarding your air import shipments, please contact your Shapiro representative if you need more details.

The latest TSA press release may be found at:
http://www.dhs.gov/ynews/releases/pr_1289237893803.shtm

Reminder – European Union Cargo Security Program Starts January 1st

The European Union will begin its version of 10+2 effective January 1, 2011. The carrier will be responsible to file with Customs in the EU country's port of arrival an entry summary declaration (ENS) no later than 24 hours before vessel loading in the foreign port. For airfreight with flights over 4 hours duration, the ENS is due no later than 4 hours prior to arrival at the first airport in the EU.

The ENS is required for all shipments, including FROB (freight remaining on board), arriving in the EU, irrespective of the final destination. If the ENS is not filed, goods may not be loaded on the vessel. The risk assessment results could also result in a "Do Not Load" message.

The data elements required for the ENS are:

- Shipper name and address
- Consignee name and address
- Notify party name and address (required with a "To Order" bill of lading)
- HTS heading (4 digits), but 6 digit subheading is preferred
- Number of packages
- Shipping marks for non-containerized cargo
- Container number
- Seal number
- Gross weight in kilograms
- UN code for hazardous codes
- Method of payment for freight charges (e.g., check, credit card, wire, cash, etc.)

Precise cargo descriptions will be necessary in order to fulfill the EU security program requirements.

Just as importers are being assessed a fee for the 10+2 Importer Security Filing, exporters can expect a surcharge from the carriers for the EU security filing.

More information may be found at:
http://ec.europa.eu/ecip/security_amendment/procedures/index_en.htm

Export Coordination Enforcement Center

On November 9, 2010, President Obama issued an Executive Order to establish an interagency Federal Export Enforcement Coordination Center within the Department of Homeland Security (DHS).

The Center shall coordinate on matters relating to export enforcement among the following:

(i) Department of State;
(ii) Department of the Treasury;

(iii) Department of Defense;
(iv) Department of Justice;
(v) Department of Commerce;
(vi) Department of Energy;
(vii) Department of Homeland Security;
(viii) Office of the Director of National Intelligence; and
(ix) other executive branch departments, agencies, or offices as the President, from time to time, may designate.

The Center shall serve as the primary forum within the Federal Government for executive departments and agencies to coordinate and enhance their export control enforcement efforts, and identify and resolve conflicts that have not been otherwise resolved in criminal and administrative investigations and actions involving violations of U.S. export control laws.

The Center is to serve as a conduit between Federal law enforcement agencies and the U.S. Intelligence Community for the exchange of information related to potential U.S. export control violations.

The Center will serve as a primary point of contact between enforcement authorities and agencies engaged in export licensing. It will coordinate law enforcement public outreach activities related to U.S. export controls, and will establish government-wide statistical tracking capabilities for U.S. criminal and administrative export control enforcement activities, to be conducted by the Department of Homeland Security with information provided by and shared with all relevant departments and agencies participating in the Center.

View the Order in its entirety on the White House Website at: http://www.whitehouse.gov/the-press-office/2010/11/09/executive-order-export-coordination-enforcement-center

Export.Gov On-Line Tools for Exporters

In an effort to strengthen the President's National Export Initiative, the Export.gov website has been redesigned to aid exporters and potential exporters.

Export.Gov (http://www.export.gov) has three links on its home page strictly to help exporters.

Begin Exporting is a joint effort with the Small Business Administration that will take you to an assessment questionnaire that is designed to help you to assess your export readiness, as well as to identify areas your business needs to strengthen and improve its export activities. This includes the following modules:

Training & Counseling
Business Plan
Market Research

Find Buyers
Financing

Expand Your Exports contains four (4) steps to help your company expand to new markets. The U.S. Commercial Service, Census Bureau, and the District Export Council all play a part in these steps:

Step 1- Examine Complimentary Markets
Step 2 – Track Global Demand of Your Product
Step 3 – Talk with your Peer Group
Step 4 – Contact Your Local Trade Specialist

National Export Initiative explains what's new under the President's National Export Initiative (NEI) , upcoming events and webinars, reports and fact sheets, and a way to sign up for the latest information on the NEI in the following categories:

NEI Blog Postings
NEI Speeches
NEI Press Releases
NEI Videos

Remember, the CATO Institute cites that three quarters of the world's spending power and 96 percent of its people live *outside* the United States. This represents a huge potential market for U.S. producers in general and hundreds of thousands of American small businesses in particular.

Census Bureau Trade in Goods Report for September 2010

On November 10, 2010, the U.S. Census Bureau released its U.S. International Trade in Goods and Services Report for September 2010.

The U.S. international trade deficit decreased to $44.0 billion in September 2010, as exports increased and imports decreased. While exports increased slightly, from $153.6 billion to $154.1 billion, imports were down $2.0 billion to $198.1 billion.

The increase in exports was driven by a $0.7 billion increase in exports of civilian aircraft and a record-high $46.5 billion in exports of services.

The import change was driven by decreases of $1.9 billion in consumer goods and $1.4 billion in automotive vehicles, parts, and engines. Despite the overall decrease in imports, September still set record highs for imports of capital goods ($39.9 billion) and foods, feeds, and beverages ($7.8 billion).

September's trade deficit with China ($27.8 billion) was down slightly from last month's record high deficit. It was the third highest single-month deficit with China, trailing only August 2010 ($28.0 billion) and October 2008 ($27.9 billion).

Through September, the 2010 trade deficit of $379.1 billion is 40% larger than the 2009 deficit for the same period ($270.2 billion). Exports have increased 17.5% to $1.35 trillion and imports have increased 21.9% to $1.73 trillion.

You can access the full report on the Census website at:
http://www.census.gov/foreign-trade/data/index.html

TRANSPORTATION UPDATE

December 2010 Update

INDUSTRY NEWS:

Ocean Carriers Profits Surge in Third Quarter
Major Ocean Carriers have posted higher than expected profits in the third quarter of 2010.

Yang Ming posted a record profit of $248.5 million which was 185 percent higher than the $88.4 million profit the carrier earned in the second quarter. Yang Ming attributes this rise in profits to a combination of rising freight rates and stronger demand coupled with more effective cost-controls.

The three largest carriers in Japan, NYK, MOL, and K-Lines, raised their profit forecasts for the next six months because the third quarter was stronger than expected for the three carriers. They point to the recovery in shipping volumes and rates, including the collection of peak-season charges as keys to their profitability. The profit forecasts for 2011 are higher as they plan a continued effort to raise rates in the first quarter of 2011.

Cosco posted a $314 million profit in the third quarter, compared with a loss of $106 million in the same quarter in 2009. They, too, point to higher container volumes and higher rates to offset the weakness in their bulk shipping unit.

Supply and Demand for Ocean Carriers to Swing in Favor of the Carriers as Equipment Shortages Loom
Carriers and analysts are expecting that vessel capacity to handle shipping container growth is expected to meet demand in 2011, but the problem will shift from ship capacity to container equipment availability. The problem is the suppliers who build new containers have been slow to build higher volumes of containers as they react to a slow recovery of the economy. Two of the Chinese companies that build containers have restarted their normal production but they are not producing enough new containers to meet the expected demand for 2011. Also, the cost of a new 20-foot container has increased to about $2700, compared with $1500 per container three years ago.

Carriers have worked with a lean inventory, especially in the United States, where transport networks cut back sharply during the deep recession here. Shortages are expected in the United States which will adversely affect our exports.

Forecasters say that U.S. importers are likely to find plenty of space in early 2011 as retailers curtail stocking their inventories as they did last winter. It is the exporters that will face a shortage of outbound vessel space, especially because as demand for U.S. grain and cotton soars overseas. The biggest shortages will be at inland container depots in the Midwest and West.

USA and India Agree on $10 Billion Fund to Bolster India's Infrastructure

The governments of the United States and India have agreed to set up an infrastructure debt fund based on the recommendations of the India-U.S. Business forum that met in New Delhi in early November. India's commerce minister said that the Indian government plans to spend an estimated $1 trillion on infrastructure and development as part of the 12th Five Year Plan from 2012 to 2017 and about 30 percent of this money is to come from the private sector. The Obama Administration said it would encourage American investment in the Indian infrastructure efforts. Both countries have agreed to boost trade and investments in various sectors, including infrastructure. In a recent visit to India, President Obama proclaimed, "For in Asia and around the world, India is not simply emerging; India has emerged. And it is my firm belief that the relationship between the United States and India; bound by our shared interest and values; will be one of the defining partnerships of the 21st century."

OCEAN FREIGHT:

MSC Raising Trans-Pacific Rates and Other Surcharges

Mediterranean Shipping Company, Inc. (MSC) will be raising rates from Asia to the U.S. on December 15th as it attempts to overhaul its general rates and surcharges across a wide range of trade lanes worldwide. MSC has announced a general rate increase (GRI) of $640/20', $800/40, $900/40'HC for all containers from Asia to the U.S. East Coast ports and points moving via the U.S. East Coast effective December 15, 2010. MSC's GRI from Asia to U.S. West Coast ports is announced to be $480 per 20' and $600 per 40' and $675 per 40'HC effective December 15, 2010.

MSC has also announced increases in its Bunker Surcharges from North Europe and the Mediterranean to the U.S. at a level of $700 per 20' and $1400 per 40'. An extra $100 per 20 and $200 per 40' will be added for reefer containers.

China Shipping and Evergreen Joint Service Scrapped for Winter Season

China Shipping and Evergreen's China-Pacific Southwest (PSW) service will have its last sailing from Qingdao on December 4. This service deploys five 2500 to 4200-TEU ships and was launched last May with calls at Qingdao, Shanghai, Ningbo, Oakland, and Los Angeles. This is the first regular service in the Transpacific trade to be withdrawn for the winter season.

Maersk Lines Plans Three GRIs in 2011

Maersk Lines has notified its trans-Atlantic customers of three increases that it has planned for 2011. It has announced increases of $300 per container (both 20' and 40') on April 1, $300 on July 1, and an undecided GRI amount again on October 1. Maersk admits that the increases are "approximate" and may be adjusted when we get closer to each specific date.

US Lines Plans GRI for Exports to Asia
US Lines has announced a GRI of $100/20, $150/40' and 40'HC and $200 for 45' containers for all cargo from U.S. points to the Far East.

MSC Delays General Rate Increase (GRI) from Turkey to USA
MSC announced that the previously announced November 1, 2010 GRI increasing all rates from Turkey to all U.S. ports by $225/20' and $300/40' will now be delayed until December 15th.

US Mega-ports see Surge in Growth in October
The ports of LA-Long Beach recorded 15.5 percent growth this October compared to the same month last year. October was the busiest month of the year for exports of out Long Beach as they increased 26.3 percent over the same period last year. The port of Savannah, GA saw a similar increase of 17.8 percent over last year's volumes in October. Savannah's terminals handled a record 152,469 containers in the month of October. Consumer spending seems to be on a rise this holiday season and the port expects to see a continued recovery through January and February.

AIRFREIGHT:

Airfreight Market from Asia to USA had a Rocky November
Air carriers from Asia into the U.S. experienced backlogs and completely full capacity from the three major airports in China (Shanghai, Hong Kong, and Beijing) in the month of November. The U.S. airfreight rate market was particularly unstable and rates changed weekly and sometimes daily depending on the airline as they grappled with the heavy backlogs and delays of cargo shipments to the United States. Cargo that was tendered at lower rate levels experienced delays and cargo moving with premium rate levels were provided faster service and space. Air freight forwarders encouraged shippers to break large volume shipments into smaller shipments to slow down delays.

Fuel Surcharges Rising
Lufthansa increased its fuel surcharge from EUR .80 to EUR .85

U.S. Airways increased its fuel surcharge to $.70/kilo effective November 18th. It is also imposing a Screening Fee for cargo security of $.15/kilo effective November 15th.

DOMESTIC:

Diesel Price Hits Two Year High

Truck fuel surcharges are on the rise in November as the price of diesel hit a two year high of $3.184 per gallon. Crude oil rose above $80 per barrel since early October and refiners are preparing for higher fuel prices during the winter heating season.

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 Virginia Salefsky, Account Coordinator – National Accounts Team, 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.