SHAP TALK

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In this issue:

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TRADE NEWS:

Margie Shapiro's Annual Review and Outlook for 2017

President-elect Trump's stance on trade, including his aggressive posture on existing and newly negotiated free trade agreements and his concern about Chinese trade practices, has us all wondering how significantly our country's longstanding free trade position will change.

Within his first 100 days in office, Trump intends to focus greatly on issues directly related to US trade policy, and on "bringing manufacturing back home."

While I appreciate his motivation to rebuild America in terms of trade balance and job growth, a protectionist position (if it holds and is supported) will not only result in a dramatic reduction in imports, further instability with carriers, and increased rate and capacity volatility; it may also lead to an escalation of isolationism and stagnation of the global economy.

With that said, I do appreciate Trump's emphasis on infrastructure development. Certainly, with much larger vessels in play, our ports, roads, bridges, rails, and tunnels need tremendous attention and investment. My concern relates to the financing associated with this.

Closer to home, I think we will see additional "new entrants" to our market who strive to piggy-back on the success of the "technological logistics" companies that have recently surfaced, entities that I believe oversimplify and commoditize both the freight and the customs brokerage business, especially in today's world. In 2015, Customs mandated the Trade Facilitation and Trade Enforcement Act, identifying priority trade issues that seem to emphasize anti-dumping and countervailing duties, intellectual property rights, revenue, trade agreements, and import safety. Navigating these complex issues requires much more than an automated algorithm.

Lastly, the Hanjin debacle and the recent political developments lead me to believe that an increase in ocean carrier consolidation is likely. There is still a significant imbalance of supply versus demand in the market. It behooves us to learn from recent years — and appreciate that we have now effectively three large alliances, with certain strengths and weaknesses, that comprise the lion's share of carriers. This suggests the need for a much more sophisticated strategy come contract negotiations.

To view the Journal of Commerce publication, visit Shapiro's JOC Annual Review and Outlook.

CBP Issues Final Rule for ACE Electronic Filing of TSCA Blanket Certifications

U.S. Customs and Border Protection (CBP) issued a final rule in the Federal Register on December 27, 2016 that eliminates the old TSCA Blanket Certification process that had limited utility, and was found more burdensome than the newly required entry-specific electronic certification.

While the effective date of January 26th has been temporarily postponed, CBP will require importers to provide an electronic certification in the Automated Commercial Environment (ACE) for each entry indicating a positive (+) or negative (-) declaration required by the Environmental Protection Agency (EPA), along with the name, phone number and email address of the TSCA certifier.

The certification requirements apply to both chemical substances and mixtures that are subject to TSCA (which require a positive certification), as well as those chemicals and mixtures that are not subject to TSCA (which require a negative certification, unless clearly identified as a TSCA-excluded chemical.)

Here are the certifications for your reference:

Positive Certification: I certify that all chemical substances in this shipment comply with all applicable rules or orders under TSCA and that I am not offering a chemical substance for entry in violation of TSCA or any applicable rule or order thereunder.

Negative Certification: I certify that all chemicals in the shipment are not subject to TSCA.

In addition, the final rule allows importers to provide electronic notice of exportation and abandonment as an alternative to the paper-based written notice process in the existing regulations.

Mandatory Intended Use Codes for FDA Regulated Products

The Food & Drug Administration (FDA) now requires mandatory reporting of an intended use code in addition to the FDA product code and FDA country of production for products that are intended for use with food (except for most meat and poultry), drugs, biologics, cosmetics, medical devices, and electronic products that emit radiation, subject to FDA jurisdiction when they are imported or offered for import into the United States.

Upon entry of the goods into the Automated Commercial Environment (ACE), the Harmonized Tariff Schedule (HTS) number is auto-flagged to indicate that the article may have known uses for FDA regulated products.

Proper reporting is essential to facilitate release of the merchandise by minimizing delays at the time of importation with FDA entry review, including additional document requests and/or product examination to make the determination.

The Federal Food, Drug and Cosmetic Act prohibits the introduction, delivery for introduction, or causing the introduction or delivery for introduction of certain products into the United States, which may violate the FD&C Act.

FDA may review the product labeling and nature of the business of the importer's buyer, including internet marketing and promotional materials used to sell the product, to determine the end use or the intended use to see if it is consistent with code provided at the time of entry.

Importers should periodically review applicable codes against the import inventory of products for entry of merchandise into the United States.

- *FDA Product Codes:* https://www.accessdata.fda.gov/scripts/ora/pcb/index.cfm?action=main.pcb
- *FDA Intended Use Codes:* https://www.cbp.gov/document/guidance/appendix-r-intended-use-codes-ace
- *FDA Affirmation of Compliance Codes:* http://www.fda.gov/downloads/ForIndustry/ImportProgram/EntryProcess/ImportSystems/UCM487261.pdf

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Clarification on Duty Refunds for FDA Refused Merchandise

CBP in Los Angeles issued a public bulletin, LA16-022, to provide clarification and guidance on requests for refunds covering FDA regulated merchandise which has been refused admission into the United States.

In order for FDA refused merchandise to be eligible for a refund, the refused merchandise must not in any way be able to be reconditioned to meet U.S. standards and the importer must establish by a preponderance of evidence that the merchandise constituted a prohibited article.

Importers who believe their merchandise is prohibited from importation by the FDA can file a post entry claim or protest to obtain a refund on refused merchandise. If unable to support the claim for a prohibited article, the importer may file a notice of intent for a future drawback claim at the time of exportation or destruction.

U.S. Fish and Wildlife Service Designated Port Exception Permits (DPEP) Reinstated

The Fish and Wildlife Service (FWS) has reinstated the Designated Port Exception Permit (DPEP) for imports arriving at non-staffed FWS ports of entry. Importers may continue to file electronic declarations for non-staff port locations until programming changes have been completed in the Automated Commercial Environment (ACE).

The Designated Port Exception Permit is intended to minimize or prevent deterioration or loss of wildlife, to accommodate scientific purposes and to alleviate undue economic hardship as applicable.

For additional information, contact lawenforcement@fws.gov.

CBP Issues Final Rule for Vehicles and Engines Subject to Federal Antipollution Emission Standards

U.S. Customs and Border Protection (CBP) issued a final rule in the Federal Register on December 26, 2016 with regulations relating to the Importations of Certain Vehicles and Engines Subject to Federal Antipollution Emission Standards effective January 26, 2017.

The Federal Registrar notice amends CBP regulations relating to the importation into the United States of certain vehicles and engines under the Clean Air Act (CAA) in order to harmonize the documentation requirements applicable to different classes of vehicles and engines that are subject to the CAA's emission standards. This notice further amends the regulations to permit importers to file the required U.S. Environmental Protection Agency (EPA) declaration forms with CBP electronically via the Automated Commercial Environment (ACE).

CBP will not release a motor vehicle from custody unless the importer has submitted all documents necessary to demonstrate compliance with all applicable laws and regulations.

Required EPA documentation. Unless otherwise exempt, importers of motor vehicles must submit one of the following EPA declaration forms to CBP at the time of entry, or when filing a weekly entry from an FTZ in accordance with 19 CFR § 146.63(c)(1) at the time of entry summary.

- *For heavy-duty motor vehicle engines, whether they are installed in a vehicle or separately imported as loose engines, submit EPA Declaration Form 3520–21, "Importation of Engines, Vehicles, and Equipment Subject to Federal Air Pollution Regulations."*
- *For all other motor vehicles, submit EPA Declaration Form 3520–1, "Importation of Motor Vehicles and Motor Vehicle Engines Subject to Federal Air Pollution Regulations."*

The EPA declaration forms required to be submitted to CBP must be filed with electronically in ACE or via any other CBP-authorized electronic data interchange system, or as a paper filing at the time of entry, or when filing a weekly entry from an FTZ in accordance with § 146.63(c)(1) at the time of entry summary

View the full Federal Register Notice dated December 27, 2016 here.

GSP Fact Sheet: Venezuela, Uruguay, and Seychelles Not GSP-eligible Effective 1/1/17

U.S. trade preference programs, such as the Generalized System of Preferences (GSP), provide opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty. GSP is the largest and oldest U.S. trade preference program.

In April, the United States Trade Representative (USTR) published GSP by the Numbers and noted that Venezuela, Uruguay, and Seychelles will be graduated from eligibility for GSP trade benefits effective January 1, 2017 on the basis of becoming "high income" countries.

To learn more about the GSP trade preference program, visit the USTR website.

U.S. Investigates EU's Continued Ban on Beef Imports

American beef products have been banned by the European Union (EU) for over 20 years, and the White House recently announced their intention to investigate. The U.S. industry claims the ban is not based on sound science and is discriminating against American farmers and producers. The office of the U.S. Trade Representative (USTR) added that if the EU ban continues, the U.S. will institute industry supported tariffs against EU product imports in the amount of $116.8 million.

In 1998, the EU lost a case at the World Trade Organization (WTO) for banning American beef determining that the restriction violated international trade obligations. In 2009, the U.S. negotiated a deal to allow for specially-produced beef that meets the EU's standards, but this agreement has not worked as intended and many feel the time has come to take action. Many meat packers and U.S. cattlemen have made investments and improvements to meet EU requirements, but without tangible results as other producers from Australia, Uruguay and Argentina.

Many had hoped that the Transatlantic Trade and Investment Partnership (TTIP) would have resolved this issue. However, European officials decided not to complete the TTIP in 2016 after their September trade ministers meeting. Based on this, many believe the situation needs to be firmly addressed. An interagency committee of trade experts and economists will participate in an upcoming USTR hearing. The purpose of the hearing will be to review public comments on the specific products and EU member states that may be subject to additional duties if the American beef dispute is not resolved soon.

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According to the U.S. Department of Agriculture, the U.S. beef industry exports average approximately $6 billion a year and these exports produce approximately $7.6 billion in economic activity and support 50,000 jobs across the country. With so much on the line, organizations such as the U.S. Meat Export Federation fully support the USTR and the White House decision to defend the U.S. beef industry.

New Seafood Regulations Seek to Reduce Damaging Fishing Practices

In 2009, nearly 80% of seafood in the U.S. was imported; by 2015 that number was in excess of 90%. Given the high volume of seafood imports in the U.S. it is imperative that regulations be in place to protect the ecosystem and end consumers in the U.S., but laws surrounding U.S. seafood imports are virtually unenforced at present. However, a new program has been proposed by the National Marine Fisheries Service (NMFS) that will vigorously oversee and track illegal, unreported and unregulated (IUU) fishing practices and spot improperly identified and mislabeled seafood before it reaches end consumers.

Unlike other recent food regulation initiatives, the NMFS' proposal will not involve new or additional labeling requirements and instead will require importers and suppliers to consistently maintain records regarding the output, intake and chain of ownership of the seafood products. Initially, these new reporting measures will only be applicable to seafood products that are heavily susceptible to IUU practices. The NMFS will use the International Trade Data System (ITDS) to compile and track the data. Using the ITDS means that the data collected will be confidential, and thus unavailable to consumers.

Despite being over 2 years in the making, the new NMFS regulations will not be enforced until 2018. Until that time, a strong message has been sent to the international community that the U.S. expects higher quality seafood and more friendly fishing practices from its trading partners. The regulations are a good first step toward making international standards more compliant with the stringent standards set forth for domestic seafood procurement.

Apparel and Footwear Importers Face the Brady Tax Plan

Through social media and statements made by various advisors, President-elect Trump has backed the Brady Tax plan, which would decrease the amount of deductible expenses that can be claimed by importers of all kinds. Due to their unparalleled volume of imports and low gross profit margins, apparel and footwear manufacturers would be most at risk should the Brady plan pass in its current iteration.

Despite eradicating certain deductions for importers, the Brady plan also calls for corporate taxes to be reduced from 35% to 20%, a clause that has gained the support of a majority of House Republicans. While there is other positive language in the plan surrounding trade, such as tax exempt status for U.S. exporters, the language of the plan for importers imposes taxes of 20% on the total value of imported goods. In comparison, previous taxes imposed a 35% tax, but only on the profit made by the importer. For high-volume, low-margin importers such as apparel and footwear retailers, this would likely amount to hundreds of millions of dollars in extra taxes annually.

Footwear retailers may be able to mitigate these effects as they have more flexibility to pass on costs to end consumers, but statistics suggest it would be a much harder feat for apparel to accomplish given the industry's deflation throughout the past decade. It not yet known whether this exact version of the Brady plan will pass, but a form of the plan is likely to become law during President-elect Trump's first year in office.

Pork Powers Brazil Meat Export Growth

The Brazilian Animal Protein Association (ABPA) recently stated that despite the Real's degradation to 4 for every $1 USD, the demand for their meats has increased worldwide, with pork at the top of the list. The ABPA believes that this increase in Brazilian meat exports could be related to the recent bird flu outbreak in some parts of Europe. As the Asian market originally sourced from regions affected by the disease, the Brazilian meat industry has grown to become the third-largest pork export market with China.

Pork exports increased 38.1% in the first 3 quarters of 2016. Russia's imports for pork have increased 3%, making it the largest importer of pork from Brazil. The ABPA CEO, Francisco Turra, said that Brazilian pork exports are on pace to break 700,000 tons by the end of 2016, despite the corn storage that stalled production and even forced some companies to close down. Brazil's market for exporting meats will continue to increase, especially with a more stable corn supply and the rapidly rising Asian demand.

Logistics Industry Demands Improvements in Infrastructure

Over the next four years, supply chain industry experts will need to push for allocation to support U.S. infrastructure. Shippers, truckers, and logistics providers will need to unify and demand that the government make much needed improvements to U.S. ports, roads, bridges, and railway systems.

The logistics industry was elated to see President-elect Trump pushing for a $1 trillion infrastructure investment plan, but it is still unclear how the plan will affect the movement of cargo since a majority of the projects are aimed at hospitals, schools, and drinking water systems. The high price tag will also have to be approved by the Republican-led congress that shot down similar initiatives in the past. Trump's plan, which will rely on public and private partnerships rather than typical fuel tax hikes or general spending increases, is facing heat from House Speaker, Paul Ryan, who has made it abundantly clear that such an initiative is not in his conservative agenda for the House. Ryan's counterpart in the Senate, Mitch McConnell, was less adamant about the lofty infrastructure changes and simply said infrastructure is not a top priority for the new Congress.

TRANSPORTATION & OCEAN FREIGHT NEWS

Industry News:

Shipping Industry Grapples with Failing Business Models

In addition to being a disastrous year for the liner shipping industry, 2016 was also the sixth straight year that the container freight industry as a whole lost money. This tumultuous year saw the demise of financially unstable carriers such as Hanjin, and larger shippers swallowing up smaller, niche competitors such as CSAV, Hamburg Sud, and APL.

In the first quarter of 2016, only one major carrier, Maersk, was able to turn a profit of $37 million. But Maersk wasn't breaking out celebratory fireworks; only a year before, their profit was $700 million greater. When analyzing key industry variables that make a liner business profitable, all signs pointed to a lucrative year. Factors in the carrier's favor included lower fuel costs, higher volumes, and lower operating costs per slot. What ruined this optimistic financial picture, you ask? Two key factors: capacity and price.

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Prices were too low for the services provided by the carriers to remain viable over time. It turns out those higher volumes did not keep up with the increased capacity brought to market by larger vessels. Carriers were overly optimistic that demand would eventually surpass capacity, but to their great chagrin, this never happened. Carriers did not react in time to reduce capacity; instead, they opted to share their capacity with each other so that everyone could suffer together and collectively take the blame. The good news is that the new alliances and mergers formed in 2016 did save several shipping lines from failing while allowing them to offer a broader scope of services, but this does not change the fact that there are still several carriers teetering on the verge of ruin.

If the industry doesn't take precautions, we will surely see continued mergers or failures thinning the herd. Importers and exporters won't benefit if their options continue to dwindle and the pressure for rates to erode will disappear. With less flexibility in the market, carriers will eventually get the upper hand; and while this can be appealing to carriers, only a few will be left to reap the benefits. While carrier will continue to adapt to a growing world trade market, it is important for frugal importers and exporters to look at the long-term effects of deteriorated rates. Low rates may have benefited companies engaged in international trade, but can the shipping industry afford to pay the consequences? One thing is sure, 2017 will be another pivotal year for international supply chains.

U.S. Export Gains Shield Central America Trade Deal Under Trump

U.S. free trade agreements have been criticized by some for being uniformly harmful to the U.S. economy and to American exporters. One of those critics is President-elect Donald Trump. He stated that he would re-negotiate the North American Free Trade Agreement (NAFTA) but has yet to offer his forecast for Central America Free Trade Agreement (CAFTA). CAFTA was originally modeled after NAFTA and deregulated U.S. trade and investment with Costa Rica, El Salvador, Guatemala, Honduras, and the Dominican Republic.

CAFTA supporter believe the trade agreement has a strong position because the Caribbean is the only region in which the United States has enjoyed a trade surplus for the past three decades. In addition to U.S. manufacturing, service providers have also reaped the benefits. CAFTA has enabled several small Central American countries to combine into a single internal market with a population of 53 million. Through CAFTA, the Central American market benefits from access to the largest consumer market in the world — the United States — and at the same time, it becomes more attractive to the largest source of investment in the world, also the U.S. Moreover, major U.S. companies, including Wal-Mart and Cargill, as well as textile manufacturers, are expanding in the region to gain access to that 53 million consumer market.

According to economists, CAFTA's future is optimistic; overall feedback from sources close to Trump's advisers is positive. Alvaro Sousa, president of the Dominican Association of Exporters (ADOEXPO) is confident that the Trump administration will not revise CAFTA because this trade pact has been beneficial for the nation. He expects Trump to focus on renegotiating troublesome trade pacts with Mexico, which have resulted in sizable U.S. trade deficits.

On the other hand, there are still several concerns on CAFTA's perspectives. The governments of Honduras, Guatemala, and El Salvador announced they will seek support from Mexico to develop joint strategy in response to Trump's victory. Another concern is undocumented immigration from Central America. Trump's campaign promise to deport millions of illegals back to Central America could have especially grave economic consequences for employment, investment, and public security in Central America. This situation could have a potentially dangerous impact on Mexico, should many illegals prefer to relocate there.

Brazilian Customs Union Shows Promise to End Customs Slowdown

The Sindifisco Nacional union, representing Brazilian Customs officials, has announced that it is close to an agreement with the Brazilian government. The announcement comes on the heels of a threatened escalation of a work slowdown that has already caused an average of 15 additional days to obtain a customs release. Earlier this month, the union threatened to implement "Operation Red Channel" after the New Year where customs officials would inspect nearly 100% of all import and export cargo which was expected to nearly halt trade for the economically embattled country.

The operation was put into action in some ports, including Santos, but only lasted two days before being called off. According to the union, the government has agreed to their demands for a 20% pay increase and other benefits originally promised by the now impeached president Dilma Rousseff. Negotiators are working on finalizing details for an interim agreement and expect to have both parties signed on by the beginning of January. An agreement with the Brazilian government could end the almost year-long customs slowdown and lower costs for Brazilian shippers.

Trans Pacific Eastbound Market Summary and Early 2017 Outlook

As we begin 2017, carriers are hopeful to finally implement back-to-back rate increases. Shippers, on the other hand, will be standing by anxiously waiting to see if those increases will hold and at what levels. Unlike many previous announced General Rate Increases (GRI's) that quickly fizzle away into nothing, these first ones of 2017 are expected to stick.

With the help of an early Chinese New Year approaching and a decrease in capacity due to a handful of blank sailings, the January 1 GRI was able to stick at around \$500/40', a level of about half of what was originally announced. It is being quickly followed by a January 15th GRI currently announced at \$600/40' in an effort to take advantage of the pre-Chinese New Year rush. Based on current fill factors, due to blank sailings and the anticipation of Chinese New Year increase in volume, this mid-month GRI is also expected to stick. Whether it sticks at the full announced level is to be determined.

Looking further ahead into 2017, we predict that whatever the actual rate levels are at the end of January, will likely hold through mid-February when the Chinese New Year week is over. After mid-February the rates should see some drops, although the carriers will fight to keep the rates up as high as possible so they can see a healthier contract season in the spring.

Post-CNY Blank Sailings Announced

Chinese New Year always has shippers racing against the clock to get their goods exported out of China before factories close and workers take off for several weeks in February. The Year of the Rooster begins January 28th and carriers have already announced blank sailings post CNY due to the typical decline in demand the industry sees year-after-year.

According to the JOC, the 2M Alliance and G6 Alliance have announced the following blank sailings:

The 2M Alliance will blank the following sailings:

Asia-North Europe and Asia-Mediterranean:

- *AE5 service, Margrethe Maersk westbound, Xingang, Jan. 30. Eastbound, Hamburg, March 12.*
- *AE6 service, Maersk Evora westbound, Yokohama, Jan. 29. Eastbound, Antwerp, March 6.*
- *AE2, service, cancelled sailing westbound, Xingang, Feb. 5. Eastbound, Felixstowe, March 13.*
- *AE1, service, MSC Mirjam westbound, Ningbo, Feb. 12. Eastbound, Hamburg, March 20.*
- *AE2, service, MSC Mirja westbound, Xingang, Feb. 12. Eastbound, Felixstowe, March 20.*
- *AE5, service, MSC Sveva westbound, Xingang, Feb. 13. Eastbound, Hamburg, March 26.*

Asia-U.S. East Coast:

- *TP12 service, MSC Giselle eastbound Singapore, Jan. 30. Westbound, Norfolk, March 12.*
- *TP10 service, Grasmere Maersk eastbound, Qingdao, Feb 9. Westbound, Savannah, March 14*

Asia-U.S. West Coast:

- *TP8 service, Arthur Maersk northbound, Singapore, Jan. 28. Southbound, Long Beach, March. 25.*
- *TP3 service, MSC Rania northbound, Nansha. Southbound, Long Beach, Feb. 24.*
- *TP8 service, Maersk Santana northbound, Singapore. Southbound, Long Beach, March 4.*
- *TP9 service, E.R.Los Angeles northbound, Nansha. Southbound, Prince Rupert, Feb. 28.*
- *TP3 service, MSC Lisa northbound, Nansha. Southbound, Long Beach, Mar 3.*
- *TP3 service, Kaethe P northbound, Nansha. Southbound, Long Beach, Mar 10.*

The G6 Alliance will withdraw the following sailings:

Asia-Europe and Asia-Mediterranean:

- *Loop 5, OOCL Berlin westbound, ETA Kwangyang, Feb. 3, Week 5. Eastbound, ETA, Le Havre, March 10, Week 10.*
- *Loop 7, MOL Quasar westbound, ETA Qingdao, Feb. 6, Week 6. Eastbound, ETA Rotterdam, March 13, Week 11.*
- *EUM service, Hyundai Victory westbound, ETA Pusan, Feb. 5, Week 6. Eastbound, ETA Genoa, March 8, Week 10*

Asia-US:

- *South China 1 (SC1), ETA Xiamen, Feb. 1, Week 5 Eastbound, and ETA Los Angeles, Feb. 20, Week 8, westbound.*
- *Service resumes with APL Houston (AHS) 022E/W, ETA Xiamen, Feb. 8, Week 6, eastbound, and ETA Los Angeles, Feb 27, Week 9, westbound.*
- *Central China 4 (CC4), ETA Shanghai, Feb. 10, Week 6, eastbound, and ETA Los Angeles, Feb. 26, Week 9, westbound.*

- *Service resumes with APL Minnesota (MIE) 053E/W, ETA Shanghai, Feb. 17, Week 7, eastbound, and ETA Los Angeles, March 5, Week 10, westbound.*
- *Singapore Vietnam Express (SVS), ETA Hong Kong, Feb. 10, Week 6, eastbound, and ETA Norfolk, March 13, Week 11, westbound.*
- *Service resumes with ZIM Los Angeles (ZLG) 048E/W, ETA Hong Kong, Feb. 17, Week 7, eastbound, and ETA Norfolk, March 20, Week 12, westbound.*

LA-LB Terminals Productivity Deteriorates As Day Becomes Night

New analysis performed by Sal Manzo, co-founder of InfoMagnus, shows domestic carriers receive very good service at the port of Los Angeles and Long Beach during the day, however experience service deterioration in the evening, making the industry question how the extended-gate program can be improved. During the month of November, trucker turnaround times in the morning and early afternoon were around 60 minutes, which truckers consider to be a good service; however, that average increases to 90 minutes in the evenings, even though daytime truck traffic is almost twice the volume.

The Harbor Trucking Association data shows that the overall port average truck visit times have increased for the second straight month as terminal operators coped with peak-season container volumes and the impact of Hanjin Shipping's bankruptcy on Aug. 31st. The average truck visit time in November was 93 minutes, up from 90 minutes in October and 87 minutes in September.

According to Manzo's analysis, the total average visit time would improve dramatically if terminals could offer the same quality at night that they do during the day. The data revealed large fluctuations in visit times for domestic carriers; between 7 a.m. and 9 a.m., the average turn times were slightly more than 60 minutes, increase into the low 70s until the noon lunch hour, and back down to 60 minutes in the afternoon 1 p.m. to 4 p.m. window. The problems begin around 4 p.m. when trucks line up outside the terminal gates waiting for the night shift to start. As truckers line up early to be at the head of the queue when the gates open at 6 p.m., visit times increase.

While the program is being evaluated, the HTA believes in addition to trucker lines waiting for access to evening shifts, lower levels of service could be a result of work being shifted away from gate processing to unload vessels and the utilization of less experienced, part-time workers.

LA-LB Ports Implement Plan to Temper Current Asia Market Share Transfer

Early in 2016, U.S. East Coast ports aimed to increase their share of the Asian import market in response to the U.S. West Coast port crisis surrounding the ILWU-PMA negotiations. Even after the crisis had been resolved, U.S. East Coast and Gulf Coast ports continued to see an increase in their market share.

Now, U.S. West Coast ports aim to slow current these trends and recapture some of their lost market share. The Los Angeles and Long Beach ports plan to invest $6.6 billion and implement technology into their operations to do just that.

With the introduction of mega-ships in the coming years, we can expect to see aggressive competition among the U.S. ports on all coasts. The LA-LB port's $6.6 billion investment is intended to add to the already superior port and inland transportation infrastructure to accommodate mega-vessels, and regain its market dominance.

Gene Seroka, executive director for Port of Los Angeles, notes that the market share shift from the West Coast to the East/Gulf Coast has actually been occurring since the ILWU-PMA contract negotiations dispute in 2002. The most recent controversy between the ILWU-PMA added fuel to the fire and was a significant jab at the West Coast ports' reputation.

Furthermore, the U.S. East Coast ports' market share will be dependent on the expansion project of the Panama Canal, and the ability to accommodate the larger vessels and clout of the upcoming steamship line alliances. The U.S. West Coast ports plan to further improve their port operations and infrastructure, while the U.S. East Coast ports still have some catching up to do in order to maintain the current level of market share.

Shipping Market Review for Amazon and Online Sellers

As online sellers step into the New Year, it is important to understand shifting variables of the upcoming freight market. With the Chinese New Year fast approaching, sellers will start to see blank sailings and restricted capacity out of Asia, due to the national, two-week holiday that shuts down most of China around February every year. The international shipping market is also striving to recover its footer after the bankruptcy of the seventh-largest ocean carrier, Hanjin, not to mention vessel-sharing alliances, overcapacity, and a slowing rate of GDP growth.

Steamship lines have not seen "real growth of demand on a broader scale" and anticipate minimal growth in 2017. However, this does not mean ocean carriers expect to take a loss as Asia-EU and Asia-U.S. rates are predicted to rise through the coming year after an appalling 6 consecutive, poor-performing quarters. Importers should prepare to see ocean freight rates to increase, especially as fuel prices continue to rise. The Journal of Commerce (JOC) reports that more than half of shippers expect to see the rates increase from 1-10% in 2017.

For Amazon sellers, new seller restrictions in their most popular fulfilment centers startled importers. Most notably, in 2016, Amazon closed the Fulfillment by Amazon (FBA) to any new sellers from November through December 19, cutting out new merchants' ability to sell Prime during the busiest online shopping season. While the sudden change in policy from the notoriously secretive online marketplace is no surprise (remember when they chucked old stale inventory before the holiday rush in 2015), alternatives for storage and fulfilment are available. Amazon even provided its own alternative to FBA in their Seller Fulfilled Prime option; after a seller has proven they can meet Amazon's rigorous demands, they can take on their own fulfillment.

As the eCommerce world continues to expand, so do Shapiro's services! We've worked to build strong partnerships in Mexico to launch our FBA Mexico program as well as other online marketplace alternatives. Shapiro has also strengthened our FBA Japan program to better assist non-resident importers in getting established. We spent a good portion of 2016 building partnerships and expanding Shapiro's Globalflex™ network, so whether you need the best currency rates for international banking with WorldFirst, to UK VAT registration and reconciliation with SimplyVAT, or to conduct in depth inventory and sales analytics with SellerLabs, we've build a network of trusted partners to help you do it.

AIRFREIGHT NEWS:

2016 Air Peak Season Surprised Industry Experts

Results for Drewry's November East - West Air Freight Price Index confirms this year was a stronger peak than experts were willing to predict. Rates were reported at 6% over October's figures and globally up 3.90 points compared to the same month last year. We have seen the rates dip, per usual, as post Black Friday demand weakens. However, there are a few China-to-U.S. lanes where holiday passenger flight cancellations are causing slightly increasing rates and capacity has thinned.

The rates will carry over into January with typical busy pre-Chinese New Year (CNY) rush. Rates are expected to increase once more after the second week as shippers prepare for closings all over China from January 27th to Feb 2nd. You can expect the rates to peak around week four as the supply chain becomes bloated and capacity harder to find.

As for the rest of 2017, all other regions are performing much the same way with the exception Latin America. Rates are expected to taper down post-CNY during the slower spring season as analysts anticipate slow and steady growth.

Fort Lauderdale Added to Emirates SkyCargo Network

Fort Lauderdale, Florida, has been added to Emirates SkyCargo network of U.S. destinations. The Dubai-based carrier has launched a daily 777-200LR freighter service, making it the seventh all-cargo destination in the U.S. and the thirteenth destination overall for this carrier.

In addition to this new location, Emirates SkyCargo offers belly hold cargo capacity on daily passenger service to Orlando. This brings the total cargo capacity offered to Florida at over 330 tons weekly.

The airline is expecting the top exports from Fort Lauderdale to include electronics, aerospace and aviation components, perishables (cheese, fruits, and vegetables), healthcare equipment and mail. The top anticipated imports are likely to include such commodities as electronics, pharmaceuticals and aerospace/ airfreight components and spare parts.

This UAE carrier offers freighter service to Atlanta, Chicago, Columbus, Houston, LA and New York. Passenger flight cargo capacity is available to Boston, Chicago, Dallas, Houston, LA, New York, Orlando, San Francisco, Seattle and Washington, D.C.

The airline offers a total cargo capacity of over 2,000 tons per week from the U.S. on its global network. In 2015-2016, Emirates SkyCargo flew over 90,000 tons of exports from the world's largest economy. These exports from the U.S. included cherries from Seattle, fresh seafood and medical equipment from Boston, pharmaceuticals from Chicago, oil and gas equipment from Houston and engines and aircraft parts from Atlanta, to name a few.

Service into Fort Lauderdale began on December 15th. The inclusion of this new destination will promote additional trade opportunities and connectivity to cargo customers in South Florida and the broader region.

DOMESTIC NEWS:

Higher Freight Demand Calling for Higher Truckload Spot Market Rates

Tighter truckload spot market capacity in the second half of 2016 and the seasonal increase in freight volumes have resulted in higher truckload spot rates. DAT's average dry van spot market rate rose from the mid-$1.30s into $1.40s in June, then to $1.49 per mile in July and shot up to $1.74 per mile in the week ending December 3rd. Pre-holiday demand seems to be the trend for the increasing rates as the domestic trucking market strains to service the capacity.

December started with the highest monthly volume seen on the spot market in the past two years. According to Adobe's digital index, shoppers have spent $1 billion between Nov. 1 and Dec. 5, and Cyber Monday was double that, $1.94 billion. Obviously, these goods had to get to distribution centers in order to be fulfilled. Per DAT, both Denver and Memphis are showing the highest load and both cities are big distribution hubs for e-commerce. In Memphis, load demand on availability was up 92 percent according to Mark Montague, industry pricing analyst at DAT Solutions.

Truckload spot market rates are also driven up by lower truck availability during winter weather, especially in the upper Midwest and Northeast leading to particularly tight capacity and higher prices in those regions. As we approach Chinese New Year in early February, truck demand on availability is expected to remain at very high levels as freight demand peaks on top of the inevitable winter weather stress on the trucking industry.

SHAPIRO NEWS:

Shapiro Supports Educational Equality through Holiday Donation to Teach For America Baltimore

Shapiro recently selected Teach For America – Baltimore as the recipient of its annual holiday charity program. Donations were made on behalf of each of its customers. Founded in 1990, Teach For America works in partnership with communities to expand educational opportunity for children facing the challenges of poverty. Teach For America recruits and develops diverse corps of outstanding individuals of all academic disciplines to commit two years to teach in high-need schools and become lifelong leaders in the movement to end educational inequity.

Teach For America joined the Baltimore community in 1992 as an additional source of educators for local schools. Today, nearly 180 corps members are reaching students across schools in Baltimore, while more than 1100 alumni work across sectors to ensure that all children have access to an excellent education.

Shapiro's investment in education is echoed with the continuation of an internal training program, Shapiro University, which provides cross-role training for all employees. The program gives employees the opportunity not only to attend courses, but to volunteer and create training presentations based on their expertise.

"Access to a great education should be available to all children regardless of background, ethnicity, or economic status," says Margie Shapiro, President & CEO, Samuel Shapiro & Company, Inc. "Teach for America is committed to developing leaders to address this issue. It is an honor to support such an important cause in a community in which we live and work."

For more information on Teach for America, visit www.teachforamerica.org.

Employee of the Month

As previously featured in Shap Talk, Shapiro 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 Devin Turner, Air Logistics Specialist in Philadelphia for his outstanding performance and contributions.

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