"SHAP" TALK

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Employee of the Month

WE WANT TO HEAR FROM YOU!

TRADE NEWS

Increase in Merchandise Processing Fee Effective 10/1/2011

The merchandise processing fee (MPF) has increased from 0.21% to 0.3464% effective October 1, 2011. The MPF increase was signed into law on October 21, 2011 by President Obama. U.S. Customs and Border Protection (CBP) has not yet implemented the increase, and will give the trade approximately one week notice before the increased fee is required.

Once the increase goes into effect, Customs will be issuing bills to importers for the additional MPF due from October 1st until the implementation date of the increase. Differences of less than $20.00 per entry will not be billed.

The trade is pushing Customs to have the bills issued prior to the end of the year to coincide with many companies' fiscal years and end of quarter. Importers should start accruing the increased MPF now and ensure that budgets for 2012 reflect the higher fee. We believe Customs will be issuing one bill per entry. Importers must pay the bills promptly to avoid interest charges and possible sanction.

The rate of 0.3464% is to remain in effect until June 30, 2021. The last increase in the MPF was in 1995. The MPF is collected to pay for the services of U.S. Customs. The minimum MPF will remain at $25.00 for formal entries. The maximum MPF will remain at $485.00.

GSP Renewed Retroactively to January 1st

The long wait is over. Congress finally passed legislation to renew the Generalized System of Preferences (GSP) retroactively to January 1, 2011. The President signed the bill into law on October 21, 2011. GSP goes back into effect on November 5, 2011 and has been extended through July 31, 2013.

Customs will issue refunds for entries that were flagged with the special program indicator (SPI) "A" for duties deposited on GSP eligible goods for the period January 1, 2011 through November 4, 2011. The refunds will not include interest. We anticipate the refunds will be issued during the first quarter of 2012.

If no SPI "A" was transmitted with the entry, a written request for refund must be filed with Customs within 180 days of October 21, 2011.

Shapiro will be monitoring entries flagged for GSP on behalf of our customers. If a protest or other post entry action is required to secure a GSP refund, we will let you know.

New FDA Fees to Be Collected From U.S. Agent of Foreign Facility

The Food & Drug Administration's (FDA) Food Safety Modernization Act requires the agency to collect fees to cover costs of import re-inspections, facility re-inspections, and recall activities associated with noncompliant companies in the food and feed industries.

The rates will be $224 per hour if no foreign travel is required or $325 per hour if foreign travel is required.

Although the fees were to go into effect on October 1st, the FDA is delaying the implementation of the fees on food or feed import re-inspection activities until 2013 as they are still reviewing comments on the issue. The agency has moved forward on the collection of the fees for facility re-inspections and recall activities; although they have extended the comment period to November 30th on all of the named activities.

FDA has stated that invoicing for said fees will not be sent out before January 1, 2012 and that the payments must be made within 30 days of the invoice dates. Payments not received within 30 days will be considered as a claim of the US government.

The statute does mandate the collection of fees from the US agent of a foreign facility where the U.S. agent has been nominated by the foreign facility at the time of the facility's registration with FDA under the Bioterrorism Act. Although the FDA will bill both the foreign facility and the agent, FDA will expect payment from the U.S. agent.

Of course this is a huge contention for U.S. agents who were originally nominated for FDA communication purposes only, and who now face a financial responsibility related to the payment of the fees. Hundreds of agents have contacted the FDA to ask to be removed as the U.S. agent. The fallout of such actions results in the suspension of the facility's registration number, which in turn will result in entry rejections until a new U.S. agent is appointed

The FDA has been asked by U.S. agents to provide a listing of companies that have nominated them. To date no such listing has been published as the FDA has stated that the data would be outdated since most registrations were completed in 2003 with the implementation of the Bioterrorism Act, and have not been updated.

If you believe or know that you have been nominated by a foreign facility as a U.S. agent for FDA purposes you are urged to contact the FDA directly. If you wish to be removed as the U.S. agent for a foreign facility, you must fax your request to 301-436-2804. Please include the full name and address of the facility as well as the 11 digit food facility registration number, if available.

Additional information on the fees implementation can be viewed by visiting the FDA website at www.fda.gov/Food/FoodSafety/FSMA/ucm257982.htm.

Free Trade Agreement Legislation Signed into Law

On October 21, 2011, President Obama signed into law implementing legislation for free trade agreements (FTA) with Korea, Colombia, and Panama. The FTA's will not enter into force until each country can demonstrate it is in compliance with its obligations under the agreements. Korea has yet to ratify the free trade agreement, while Colombia and Panama have already ratified their respective FTA's. Once these steps have been taken for each country, the President will issue a Presidential Proclamation which will bring the FTA into effect.

Andean Trade Program Reinstated

The Andean Trade Preference Act/Andean Trade Promotion Drug Eradication Act (ATPA/ATPDEA) has been renewed retroactively to February 12, 2011, the date the program lapsed, and has been extended through July 31, 2013. ATPA/ATPDEA renewal was signed into law on October 21, 2011 as part of the legislation to implement the Colombia Free Trade Agreement, and goes back into effect November 5, 2011.

The ATPA/ATPDEA covers eligible goods from Colombia, Ecuador, and Peru. Bolivia was removed from the program in 2008. Most goods from Peru now fall under the Peru Free Trade Agreement which took effect in 2009.

A written request for refund of duties paid for ATPA/ATPDEA eligible goods entered between February 12, 2011 and November 5, 2011 must be filed within 180 days of October 21, 2011. Customs will not include interest with the refund.

Proposed Increase in Informal Entry Limit to $2500

U.S. Customs and Border Protection (CBP) is proposing an increase in the informal entry limit to $2500. The current limit of $2000 was established in 1998. Inflation over the intervening years has reduced the value of that amount in real terms. An increase to $2500 is expected to reduce the administrative burden on importers and entry filers by expanding the availability of simplified informal entry procedures.

Additionally, Customs is proposing to remove language requiring formal entry for certain textile and apparel articles valued over $250 due to the elimination of absolute quotas for textiles.

The proposed increase is expected to save importers $11 million in merchandise processing fees (MPF). The minimum MPF for a formal entry is $25.00. The MPF for an informal entry is $2.00.

Comments on the notice of proposed rulemaking are being accepted through December 27, 2011.

The notice may be found at:
http://www.gpo.gov/fdsys/pkg/FR-2011-10-28/pdf/2011-27879.pdf

TSA Delays 100% Screening of Inbound Cargo into the U.S.

On October 4, 2011, the Transportation Security Administration (TSA) announced that they have delayed the 100 % screening of cargo on international passenger aircraft bound for the United States.

TSA made this decision based on careful consideration of the industry's comments and a thorough examination of the unique challenges facing international cargo screening. TSA has not set a new deadline, but they will continue to progress towards the 100% international passenger aircraft inbound requirement. Shapiro will keep you advised of any new deadlines.

International Trade Administration Newsletter

The International Trade Administration (ITA) has revised its electronic monthly newsletter in order to communicate items more quickly, directly and effectively.

ITA feels it's critical to keep the trade community consistently informed about important initiatives, success stories, and upcoming events that could benefit your business and the overseas markets you sell to.

ITA welcomes your feedback and ideas for stories in future editions. Feel free to contact ITA at PublicAffairs@trade.gov.

Francisco Sánchez, Under Secretary of Commerce for International Trade will be writing a column starting next month that will highlight people, policies, and issues that are important to exports and the ITA. Undersecretary Sánchez advised that "we want you to have unique insight and access into our work, all with the goal of deepening our partnerships. Together we can ensure that America both competes and succeeds in the global economy."

To read the entire announcement and subscribe to the newsletter, access the ITA website at: http://trade.gov/publications/ita-newsletter/

TRANSPORTATION UPDATE

November 2011 Update

INDUSTRY NEWS:

The Big "Take Back"
A recent study by the Boston Consulting Group (BCG) reports the heralding in of a big shift over the next five years in manufacturing from China back to the U.S. and other parts of North America.

"Reshoring," a trend expected to create up to 3 million jobs in the coming years by bringing factory work back to the U.S., already has some organizations promoting policies to spur this return.

BCG attributes this shift to, among other factors, the rapid rise of labor costs in China, while at the same time U.S. productivity climbs, shrinking the cost advantage of outsourcing. The report states, "…[when you] factor in the shipping, inventory costs and other considerations,…the cost gap between sourcing China and manufacturing in the U.S. will be minimal."

Titled "Made in America, Again," the report cites various examples of the shift of work back to the U.S. According to BCG, in just five years, "the total cost of production for many products will be only about 10 to 15 percent less in Chinese coastal cities than in some parts of the U.S. where factories are likely to be built".

The report also states that shipping rates, already impacted by rising fuel prices since 2009, coupled with a shortage of container port capacity projected in 2015, could feasibly result in a falloff in shipbuilding which could push rates higher. China's currency against the U.S. dollar according to BCG is another factor raising the cost of goods made there; as well as trade disputes over Chinese made products leading to the threat of disruptions to the ocean supply chain.

Several U.S. states are expected to "turn out to be among the least expensive production sites in the industrialized world." Even with the expectation that Mexico will get some of the output shifted from China, capitalizing on the country's ability to deliver goods into the U.S. in one or two days, compared with 21 by ocean from China, BCG officials do not expect that Mexico will benefit as much when compared to U.S. expertise in many goods that will invariably draw the work back to the U.S.

Industries most likely to see a shift back to the U.S. are transportation goods, electrical equipment and appliances, furniture, plastics and rubber products, machinery, fabricated metal products, and electronics. BCG predicts that these seven groups could add "$100 billion in output to the U.S. economy and lower the U.S. non-oil trade deficit by 20 to 35 percent."

U.S. Exports Expected To Lead Trade Recovery
According to Paul Bingham, economist with CDM Wilbur Smith Associates, the economies in the developing nations of Asia and Latin America are growing at two to three times the growth rate of U.S., Japanese and European economies. The dollar remains weak against many of these world currencies, and is depreciating most against the currencies in emerging economies. To this end, Bingham said, the U.S. could become a leader in supplying manufactured products throughout the world, and he predicts that "U.S. exports will be increasingly sought by growing middle classes in China, Southeast Asia, and Latin America, [countries which] view American products as having a higher quality."

Bingham contends that those small and mid-size manufacturers, doing well producing and selling high-tech, precisely manufactured products in U. S. domestic markets, and encouraged to enter the export arena, can compete on quality with producers in Germany and other European countries, and "the challenge for the U.S. is to match Germany's success." In a speech given to a group in Long Beach sponsored by the American Association of Port Authorities, Bingham stated that all U.S. exports are becoming increasingly affordable for the growing middle classes in these developing countries, and that U.S. agricultural exporters are already profiting from these developments.

West Coast Imports Down Reflect "Disappointing" Fall Shipping Season
The Pacific Maritime Association (PMA) reports a 7 percent decline in August of this year in containerized imports moving through West Coast ports, compared to August 2010. According to the PMA, although the August 2011 numbers were weak compared to August 2010, they do represent the highest monthly number of the year so far in 2011 - 849,458 TEU's. According to PMA, these numbers indicate the eastbound trans-Pacific trade lane, "is building toward what is likely to be a disappointing peak fall shipping season."

The export picture, PMA says, is a different story. August, generally a weak month for U.S. exports to Asia, reported with especially strong numbers, indicating a strong and busy upcoming six months.

Interestingly, the weak import projections would put exporters in a precarious situation where they would find themselves faced with equipment and space shortages. The need for carriers, facing a slack winter along eastbound trade lanes, and forced to cut capacity late this year into early 2012, could directly impact capacity for exporters of agricultural products, scrap paper and scrap metal.

PMA numbers for year-to-date container volumes are similar to the August monthly numbers. Imports during the first eight months of 2011 were flat compared to the same period last year. Conversely exports year- to- date were up 9 percent. Total cargo volume combining imports and exports was up 4 percent at West Coast ports year-to-date.

OCEAN FREIGHT:

Maersk Line Study Shows Slow Steaming Doesn't Hurt Engines

In a study to determine the efficiency of "slow steaming," a practice adopted by ocean carriers during the last four years to save on bunker fuel costs, Maersk Lines findings indicate that low speeds do not damage engines. It is anticipated that this finding will make the practice even more common among ocean carriers.

The Danish shipping line began lowering speeds to cut fuel costs in 2007, and according to Jan de Kat, Maersk senior technical adviser, Maersk vessels sustained zero damage from slowing, and operating expenses declined as a result because it placed less strain on the engines, and as a result, required less maintenance.

According to de Kat, the most economical speed for container ships is 10 to 15 knots instead of 25 knots. "If you look at average speeds, we think they will be slower. There were a lot of concerns about soot-build up, vibrations and propeller health, we addressed those concerns and found solutions."

Maersk backs voluntary slow-steaming rather than regulation so that ship owners can retain the flexibility to keep shipments on schedule, and it is sharing its data with engine manufacturers and other ship owners to show ways to overcome technical concerns about slower speeds.

The company's findings apply to any ship propelled by a two-stroke engine, which is the most common type for tankers, container ships, and bulk carriers.

A decline in global demand and swelling fleets make it necessary for ship owners to reduce speeds in order to boost earnings by saving on fuel.

According to Bloomberg and Clarksons, the world's largest ship broker, the average speed of all vessels has fallen about 27 percent since July 2008, when average daily earnings were 3.6 percent higher than today.

Panama Canal Project Moving Forward

The Panama Canal Access Channel expansion project continues to progress. Most recently, valves were activated to fill the new channel located under Centennial Bridge, allowing the transit of vessels between the new Locks and the Culebra Cut. The entrance to the new channel is 1.6 kilometers long, 218 meters wide and 9.14 meters above sea level. It will take approximately three days to fill the area up to 12.5 meters of water and to reach the elevation of 21.64 feet above sea level, using 1.4 million cubic meters of water from Gatun Lake. The rest of the new access channel is 6.1 kilometers long, and will be filled during 2013, once the 2.3 kilometer dam that separates this from the current channel is completed. To date the expansion is 30 percent complete and is responsible for the award of US$4.2 billion in contracts. Cargo shipped through the Panama Canal increased by 7.1 percent in the fiscal year 2011 ended September 30, to set a record of 322.1 million Panama Canal/Universal Measurement system tons.

U.S. Lines Announces General Rate increase
U.S. Lines has announced general rate increase, effective November 3, 2011, in the westbound trade. The carrier said that rates from North America (Canada and the United States, including inland points) to both North Asia and Southeast Asia will go up as follows:

Dry Cargo:
- US$100 per 20 standard container, open top, and flat rack
- US$200 per 40 standard container, open top, and flat rack
- US$200 per 40 high cube
- US$200 per 45 high cube

Reefer Cargo:
- US$200 per 20 reefer
- US$300 per 40 and 40 high cube reefer

For additional information about GRI increases with other carriers please contact your Shapiro representative.

AIRFREIGHT:

Cathay Pacific Airways Traffic Falls
Cargo traffic at Cathay Pacific Airways fell 9.7 percent year-over-year in August. Freight and mail traffic also declined 6.4 percent from July to August, prompting a cut in capacity on a month-month basis to match the global air freight environment.

Important Alerts:
(The Alerts below have been printed in their entirety for your reference. For updates and more in depth coverage of the topics, feel free to contact your Shapiro representative.)

Temporary Ruling: No Night Flights at Frankfurt Airport as of October 30, 2011
Hesse's Higher Administrative Court in Kassel announced today that temporarily no flights will be allowed at Frankfurt Airport between 23.00 and 05.00 hrs. beginning October 30th.

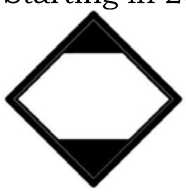
The decision of Hesse's Higher Administrative Court was surprising, and came at very short notice. It will have considerable negative consequences, not only for Lufthansa Cargo, but the entire logistics sector, manufacturing industry, and the exporting nation of Germany. Lufthansa Cargo had been planning on an average ten flights per night in Frankfurt for the coming winter flight schedule.

Due to the current ruling we will check as quickly as possible, if and which flights can be transferred from the night flights to day flights. With these changes we want to assure you that no destination will be omitted from the flight schedule. In addition to this measure we will check all means of legal redress against the decision.

Customer Advisory: Major Changes in the IMDG Code's Limited Quantity Regulations
This is an important Advisory for anyone involved in international ocean transport of hazardous materials. The 35th Amendment of the IMDG Code becomes mandatory January 1, 2012. Please note two significant changes that shippers should start preparing for now though. Exception 3.4.7 will no longer exist. What does that mean? Exception 3.4.7 of the 34th Amendment of the IMDG Code allowed shippers to ship limited quantity packages without the "UN Number in a Diamond" marking normally required for all limited quantity packages. The use of 3.4.7 is extremely common particularly with shippers who use the Consumer Commodity ORM-D Exception domestically. Limited Quantity packages with no hazardous marking or only an "ORM-D" marking will no longer be compliant with the IMDG Code in 2012.

Another major change is the "UN Number in a Diamond" marking has been replaced with the below marking.

Starting in 2012, all Limited Quantity packages must have this marking:



Note: there may be a "Y" in the center of this marking. That shows the package is also compliant with the air regulations (ICAO).

To avoid incurring labeling charges and possibly delaying your freight, please make sure all limited quantity packages have the above marking starting in 2012. However, shippers can start complying with this new rule immediately.

If you have any questions about hazmat shipping, please contact us at compliance@shapiro.com and we can refer you to hazmat specialists.

Policy Changes Regarding Acceptance of Dangerous Goods (DG)
Effective November 14, 2011, Mitsui OSK Lines will only recognize DG information which is in compliance with the 35th Amendment of the International Maritime Dangerous Goods (IMDG) Code. For detail on the IMDG Code, please visit the International Maritime Organization (IMO) website at:
www.imo.org/Publications/IMDGCode

DOMESTIC:

New York Rebuilds Marine Terminal
The New York City Economic Development Corporation will invest over $115million to reopen the South Brooklyn Marine Terminal. Located along the Pay Ridge Channel in Sunset Park, the terminal will be reequipped to handle roll-on, roll-off and break bulk cargo. It is scheduled to open in 2012.

The investment will include terminal infrastructure improvements, site preparation and dredging, a facility for processing of autos for both import and export, and a recycling facility.

An additional $13 million will be used to extend rail infrastructure to the terminal and connect it with the Southern Gateway, a principal connection for New York to the national rail network.

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 Cindy Freitas, Corporate Pricing Specialist, 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.