"SHAP" TALK

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TRADE NEWS

FDA Food Facility Renewal Now Available

After an initial delay, the Food and Drug Administration has announced that the food facility registration renewal site is now available as of October 22, 2012.

All foreign and domestic facilities that manufacture, process, pack, or hold food for human and animal consumption are required by the Food Safety Modernization Act to renew their food facility registration by December 31, 2012, and every two years thereafter.

Facilities may register online at www.fda.gov/furls. FDA does not charge a fee to register a facility. Alternatively, facilities may register by mail or fax. FDA encourages online registration as the most efficient means for food facility registration. After all required information has been entered, the registrant will receive confirmation of registration and a registration number.

Please be sure your foreign suppliers are aware of this new registration renewal requirement.

We also wish to remind you that the responsibilities for the U.S. agent designated in the registration have changed. The U.S. agent will now be financially responsible for foreign food facility re-inspection fees. The fees are expected to be $289 per hour. If you are not sure if you have been designated as a U.S. agent, or if you would like to have your name removed as a U.S. agent, you may contact FDA at FURLS@FDA.gov.

Further information on food facility registration may be found on the FDA website at:
http://www.fda.gov/Food/FoodSafety/FSMA/ucm314178.htm?source=govdelivery

Air Cargo Advance Screening (ACAS) Pilot Program

On October 24, 2012, U.S. Customs and Border Protection (CBP) issued a Federal Register notice formalizing and expanding the Air Cargo Advance Screening (ACAS) pilot program. Under ACAS, Customs is notified about the details of cargo being loaded onto commercial airlines and cargo aircraft no later than the time of departure of the aircraft for the United States from any foreign port or place in North America, including locations in Mexico, Central America, South America (from north of the equator only), the Caribbean, and Bermuda, or four hours prior to arrival in the US from any other foreign area.

CBP is soliciting new participants in this voluntary test for this pilot effort. Participants will agree to submit a subset of required data elements (ACAS data) at the earliest point possible prior to loading of the cargo onto the aircraft destined to or transiting through the United States. Currently, these data elements consist of:

(1) Air waybill number
(2) Total quantity based on the smallest external packing unit
(3) Total weight
(4) Cargo description
(5) Shipper name and address
(6) Consignee name and address

The ACAS data is used to target high risk air cargo. These six data elements were chosen because they are available to air carriers and other participants early in the lifecycle of a cargo transaction and allow the ACAS risk assessment and workflow to be completed early enough in the supply chain to enhance security while minimizing disruption to the flow of goods.

Any air cargo identified as high-risk will receive holds until the identified threat is mitigated through the provision of additional clarifying information related to the shipment, and/or adherence to the appropriate existing Transportation Security Agency (TSA) screening protocols, as well as CBP/TSA Do Not Load protocols, depending on the direction provided by the National Targeting Center, where the TSA and Customs are both located.

CBP is seeking participation from stakeholders in the air cargo environment, including express couriers, passenger carriers, all-cargo carriers, and freight forwarders. There are no restrictions with regard to organization size, location, or commodity type. However, participation is limited to those parties with sufficient information technology infrastructure and support, as described in the FR notice.

CBP states some of the benefits of ACAS include:

- Increasing security by leveraging Department of Homeland Security (DHS) threat and other data to employ a risk-based approach to improve air cargo security through targeted screening
- Gaining efficiencies by automating identification of high risk cargo for enhanced screening before it is consolidated and loaded on aircraft
- Establishing mitigation protocols for high-risk shipments
- Informing TSA and CBP decision-making by participating in efforts to establish, test, and refine the interface between government and industry communication systems for the implementation of ACAS
- Ensuring a variety of business models are considered in the development and implementation of ACAS
- Reducing paper processes related to cargo screening requirements, thereby increasing carrier convenience
- Facilitating corporate preparedness for future mandatory implementation of ACAS submission requirements

Please note the final bullet. The program is expected to become mandatory sometime in the future; essentially an air version of the Importer Security Filing.

The Federal Register notice provides a description of the ACAS pilot, sets forth eligibility requirements for participation, and invites public comment on any aspect of the test. CBP is accepting applications from new ACAS pilot participants until November 23, 2012.

The complete Federal Register Notice dated October 24, 2012 can be found at this link: http://www.gpo.gov/fdsys/pkg/FR-2012-10-24/pdf/2012-26031.pdf

The Air Cargo Advance Screening Pilot Strategic Plan can be found on CBP's website at:
http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/cargo_control/acas_psplan.ctt/acas_psplan.pdf

Air Cargo Advance Screening Pilot Frequently Asked Questions can be accessed from CBP's website at:
http://www.cbp.gov/xp/cgov/trade/cargo_security/cargo_control/acasp_faq.xml

U.S.-Panama Trade Promotion Agreement to Take Effect October 31st

The free trade agreement between the United States and Panama will go into effect on October 31, 2012. Like with many other free trade agreements, the merchandise processing fee will not be collected for eligible Panama FTA claims. Goods from Panama will no longer be eligible for benefits under GSP or either of the Caribbean Basin programs CBERA and CBPTA.

U.S. Trade Ambassador Ron Kirk notes, "Panama is one of the fastest growing economies in Latin America, expanding 11.6 percent in 2011, with forecasts of between five to eight percent annual growth through 2017." After entry into force of the Agreement, Panama will immediately reduce or eliminate tariffs on U.S. industrial goods, currently averaging seven percent, with some tariffs as high as 81 percent. Over 86 percent of U.S. exports of consumer and industrial products to Panama will become duty-free immediately, including information technology equipment, agricultural and construction equipment, aircraft and parts, medical and scientific equipment, environmental products, pharmaceuticals, and fertilizers. Additionally, U.S. agricultural exports will also benefit from this Agreement. U.S. agricultural goods currently face an average tariff of 15 percent, with some tariffs as high as 260 percent. Nearly half of U.S. exports of agricultural commodities to Panama will immediately become duty-free, including wheat, barley, soybeans, high-quality beef, bacon, and almost all fruit and vegetable products, with most of the remaining tariffs to be eliminated within 15 years.

Panama's strategic location as a major shipping route also enhances the importance of the Agreement. Approximately two-thirds of the Panama Canal's annual transits are bound to or from U.S. ports.

Customs Expanding Importer Self Assessment Program

U.S. Customs and Border Protection (CBP) has announced changes to the Importer Self Assessment (ISA) program. ISA allows importers to manage their own compliance program while removing them from the pool for comprehensive audits such as Focused Assessment (FA) and drawback audits.

On October 5, 2012, CBP published a Federal Register notice announcing an expansion of the ISA program to include importers that have successfully undergone a Focused Assessment audit. Such companies are eligible to join ISA without further review within 12 months from the date of the FA Report as long as Customs deemed the importer represents an acceptable risk to Customs. The importer must also be a member of the Customs-Trade Partnership Against Terrorism (C-TPAT) program, develop a risk-based self-testing plan, and agree to meet all ISA program requirements.

Other ISA benefits include faster cargo release, fewer CBP inquiries (CF 28 and CF29), and enhanced prior disclosure benefits.

The October 5th Federal Register notice may be found at:
http://www.gpo.gov/fdsys/pkg/FR-2012-10-05/pdf/2012-24592.pdf

Information on ISA may be found at:
http://www.cbp.gov/xp/cgov/trade/trade_programs/importer_self_assessment/

Trade's Perspective on New CEEs

The Centers for Excellence and Expertise (CEE) are U.S. Customs and Border Protection (CBP) locations for entry summary review that specialize in certain commodities such as automotive products, electronics, and pharmaceuticals. They are currently in a pilot phase with a limited number of participants, but their role is expected to grow as is their future port designations.

Concerns remain involving the centers as do hopes that the centers will provide a simpler more uniform Customs clearance and entry process.

Concerns from Customs brokers include:

- Method for documentation submission to the centers as many brokers have systems for submission that involve paper print outs and manual sorting of documents as their customary process that's currently in place for correspondence and submissions to local ports vs. email attachment, which is the preferred method to submit documents to a CEE.
- Loss of contact with well experienced CBP personnel in a local port. This is also a concern for importers who have well established relationships with local personnel who know them and their imported products. CBP counters that it is

possible that a CEE may be able to resolve issues that a local port is unfamiliar with or that may not have expertise in specific commodities or types of entries.

- Additional potential costs involved for brokers for training, new programming, and automation as a result of processing changes.
- A concern that the centers may limit their involvement to only large multinational importers while denying access by smaller import companies and brokers.
- Full Customs broker participation will be required in the CEEs for the benefits of the centers to be recognized.

Concerns from large importers include:

- The trusted trader requirement of the program in relation to a difficult vetting process and inconsistencies in Importer Self-Assessment (ISA) application reviews by CBP. There are also many importers for various reasons that choose not to participate in the ISA, and participation is a requirement for CEE transactions. In response CBP has stated that it will become more flexible in the definition of trusted trader and will allow importers who do not participate in ISA to be grandfathered into the CEE program, such as those who have completed a successful Focused Assessment audit.
- Anxiety caused by a concern over whether an importer's industry will be covered by a CEE and if so, is the coverage permanent.

In summary, CBP has advised that they will work with each sector involved in the program to alleviate concerns and to resolve issues, and that although the centers are commodity specific, they are account-based which means that an assigned center will be the primary processing point for all entries regardless of commodity for a participant. This requirement should increase uniformity for those importers who make entry in multiple ports.

CBP Continues Aggressive Textile Enforcement

Textile and apparel imports continue to be commodities that are economically and politically sensitive. Complex regulations related to these commodities and the increasing number of free trade agreements and trade preference programs result in opportunities for fraudulent activities. As such, textiles and apparel products continue to be designated by U.S. Customs and Border Protection (CBP) as a Priority Trade Issue (PTI).

CBP's enforcement efforts include the identification of duty evasions, illegal transshipments, and invalid or misleading country of origin markings.

CBP recently published on its website a listing of violations and non-compliance related issues in textile and apparel importations with statistical data through June 2012:

- 10 commercial fraud penalties issued, valued at $27.76 million
- 3,654 intellectual property rights violations seizures, valued at $5.21 million
- 531 liquidated damage assessments
- Of 543 samples tested under laboratory analyses, 295 or 54.3% were found discrepant
- Of the 20 audits initiated, 17 have been completed with a duty recovery of $962,000
- Of 3668 examinations completed, 448 or 12% were found discrepant
- 32% of trade preference claims were found discrepant

These statistics clearly show a growing emphasis in textile enforcement efforts. Importers need to implement compliance procedures and processing which indicate due diligence to ensure that they are meeting textile and apparel import requirements with an increased special interest in those utilizing free trade or trade preference programs.

The complete listing of statistical data can be viewed in its entirety by visiting the CBP website at www.cbp.gov.

U.S. to Ease Restrictions on Burmese Imports

Secretary of State Hillary Clinton announced that the United States will start lifting economic restrictions against Burma including the ban on imports. This will be welcome news to Burma's textiles industry. It is likely that sanctions will remain on gemstones such as jade and rubies. The U.S. has prohibited imports from Burma since 2003, but is beginning to ease restrictions due to political and economic reforms by the Burmese government.

Free Food Workshops in New York

The New York State Department of Agriculture and Markets will be hosting two free workshops to provide basic information to food importers and distributors concerning the import process, issues concerning food safety, and proactive solutions which can be implemented to address these issues. All participants will receive a comprehensive Imported Food Products Safety Guide. The workshops are 9:00 – 12:30, with registration beginning at 8:30 a.m.

One session will be held on November 14th at Doubletree Hotel JFK Airport, Narita Room, 135-30 140th Street, Jamaica, NY 11436.

The second session will be held on November 15th at New York LaGuardia Airport Marriott Hotel, Salon D/E, 102-05 Ditmars Blvd., East Elmhurst, NY 11369. The parking rate of $7/car at this location will be covered by the workshop.

To register for either workshop, please provide your name, company name, address and contact information (phone and e-mail) to John Luker at john.luker@agriculture.ny.gov or by calling 518-457-5382. Registration is open to the first 75 attendees and must be completed by November 8th.

TRANSPORTATION UPDATE

November 2012 Update

INDUSTRY NEWS:

China Contemplates Changing Transportation Policies
With the new leadership in Beijing we will likely see some changes in the transportation industry in China. With a slight shift of power in China comes a new idea on how the transportation industry is regulated. It has been made clear that they would like to merge all transportation-linked agencies under one umbrella. This adjustment to China's transportation regulation will be cause for more "protectionism."

A committee will meet on November 8, 2012 to discuss if the areas of the transportation sector should be privatized and also decide if foreign investors can offer inland and costal services.

"The Environment for Private Players has not been very friendly," says industry analyst Behren Sorensen of the Journal of Commerce. About 75% of the Chinese shipping industry is controlled by the top five shipping companies. With little room for entry, Beijing is slowly trying to cut off some of the state functioned carriers.

China has been making great advances to open markets but has faced many challenges such has logistics inadequacies, which account for 18% of GDP.

China has always imitated U.S. cabotage law in only permitting Chinese flag carriers to provide domestic services. Having these markets open to foreign carriers would rush in billions of dollars annually. Now that all of the major Chinese ports have been developed, they are beginning to shift their focus to feeder ports to slow down capacity at major terminals.

As Threat of Strike Cools Asia Import Rates Begin to Level Off
With the constant threat of strike on the U.S. East and Gulf Coasts last month, many shippers turned to using the U.S. West Coast ports as their gateway instead. That all changed when the ILA (International Longshoreman's Assocation) and the USMX (U.S. Maritime Alliance) finally agreed to extend the existing contract another 90 days. This eased a lot of tension and made direct shipments to the East and Gulf Coast ports popular again. As of this writing, the load factors have started to deteriorate and there should be a short term decrease or leveling off of rate levels for imports from China,

however rates from Southeast Asia have reached their highest level since 2006, and they should remain steady in the coming weeks.

With the 2013 contract season coming up, shippers can expect weakening market conditions and they can forecast that the rates will not be as high as the past few months, but it is forecasted that shippers should still expect to pay more than they have in 2012 as a whole.

Evergreen Capacity Boosts by 112,000 TEU's

In a quest to compete globally, Evergreen Lines has increased their capacity levels by 112,000 TEUs (Twenty Foot Equivalent Units) in the first 10 months of 2012. Evergreen hasn't seen its capacity rise this much in 5 years. Evergreen currently has ordered new vessels for an increased capacity by 394,000 TEU's, making it the second largest in the industry, behind Maersk Line's orders for new vessels reaching an additional 457,000 TEU's.

With the lack of new ship investment by Evergreen, their share of the market dwindled to 3.8% from a high of 6.2% in the year 2000. With this increase it has been projected that in 2014 they should have 5% of the market share.

Nhava Sheva Indian Port Continues to Grapple with Labor Issues.

Nhava Sheva is the main port that services the northern and western part of India. Chennai and Tuticorn are the main ports for southern India.

When the Port of Nhava Sheva was built to augment the extremely congested port of Mumbai (Bombay), it displaced a large population that once lived where the terminal was constructed. The displaced population was promised money for their inconvenience. The promises made were broken and as a result the displaced population has regularly been protesting, and they have done their best to halt all movement in and out of the port by causing a "strike."

With this constant battle over control of the port, two ports in the north have been considered as alternatives to Nhava Sheva - namely Mundra and Hazira. Mundra is already a popular destination but the train only comes in once a week. Hazira is connected to the four lane highway which is the main route between the two major cities of Delhi and Mumbai. There are five 5 weekly train connections in this key area. Hazira is continuously being developed to take some of the load off of Nhava Sheva.

Even though it seems like a simple solution to divert and promote the alternative ports there is a very strong political and commercial interest in Nhava Sheva as the most strategic port in India. It will be difficult to project if any major business will be moved to another Northern Indian port at this time.

9.9% of Mexico's GDP is from Logistics Cost
It has recently been reported that 9.9% of Mexico's GDP is attributed to logistics, compared to 8.5% of the USA's. Half of the $142 billion logistics cost went to trucking.

The Mexican trucking industry is largely run by 10 corporations with revenues reaching close to $220 million. DHL, Werner and Ryder and other international companies also have important roles in the Mexican trucking industry. With the help of NAFTA, 25 automotive plants have sprawled up from Mexico City to the U.S. border, alongside with thousands of first and second tier suppliers.

Panama Canal Expansion 44.5% complete
With ships getting larger and larger to carry more goods, it has been extremely important for the Panama Canal to expand to accommodate these larger vessels. It has been estimated that the new expansion of the Panama Canal is 44.5% done. Two out of four dry excavation projects have been completed.

The expansion of the Panama Canal has taken a global effort. The lock gates are being produced in Italy, while the valves are being made in Korea. It has been projected by the contractor that the first commissioning tests will take place in the beginning of 2014 and the final commission will take place in September 2014.

Port of Baltimore Finds Itself in a Major Market Advantage Over Rival Ports
The port of Baltimore surprisingly finds itself closer and closer to a major opportunity that will give it a distinct advantage for port jobs and economic development over the other ports on the Eastern seaboard, with the exception of the Ports of Virginia. Baltimore and the Ports of Virginia will have the enviable position of being the only East Coast ports that are ready to accommodate the new larger vessels connecting Asian markets to the U.S. east coast via the expanded Panama Canal, due to be ready in late 2014 or early 2015.

The Maryland Department of Transportation is working with the port to expand the rail capacity by developing an intermodal facility that will allow cargo containers to be double-stacked to transport cargo to markets in the Northeast, Midwest, and Southern United States. This project is the most critical piece of the puzzle for Maryland and for the CSX National Gateway rail distribution network.

The Panama Canal expansion could increase containerized cargo in Baltimore by as much as 20 to 25 percent. This would create hundreds of new jobs at the port which could also spawn significant economic activity in the region. The port just installed several large new post-Panamax cranes at Seagirt Terminal to get ready to handle the largest ships there more quickly and more efficiently. Without these improvements, the Port of Baltimore estimates that it would have lost as much as 50 percent of its containerized cargo to the Ports of Virginia. Maryland expects that such improvements in the infrastructure in and around the port will allow for sustainable business growth for generations to come.

OCEAN FREIGHT:

MSC Postpones Port Congestion Surcharge
As a result of the contract extension between the ILA and USMX, MSC decided to postpone the Port Congestion Surcharge to December. MSC has announced a Port Congestion Surcharge of $800 per 20', $1000 per 40', and $1125 per 40'HC containers effective December 29, 2012. In the event that the ports and terminals will not be affected by congestion, this tariff filing will be terminated and no surcharge will be enforced.

Exports from U.S. East Coast to Australia and New Zealand Rise
Maersk has decided to raise the prices on exports from the USA Ports to Oceania, including Australia and New Zealand by $175 per 20' and $350 per 40' and 40' HC containers.

Maersk Ceases Shipping Between the US/EU and Iran
Just as Iran's economy struggles to compete in the world market, Maersk Lines announced it will no longer ship in and out of Iran because of heavy U.S. and EU sanctions on the Middle Eastern country. Even though Maersk is complying with western powers, it still keeps a dormant business entity in Iran in case the economic sanctions are raised.

Container Ship Deliveries are Expected to Break Records in 2013
With the world economy in a slump for the past few years, analysts believe 2013 will bring a record amount of container deliveries around the world. These will enhance the worldwide fleet by 9.5%. 1.7million TEU's are expected join the fleet in 2013 - a 13% increase from 1.5million in 2008.

Jonathan Roach is a Braemer Seascope's container analyst and said "scrapping (older vessels) has helped offset the growth in supply this year." The biggest year was in 2009 with 370,000 TEU's scrapped.

AIRFREIGHT:

Emirates Airline Adds Daily Flight from Washington DC to Dubai
A new daily flight is now available from Washington DC to Dubai on Emirates Airline. This will bring significant opportunities via Dubai as there are several direct freighter services out of Dubai to various airports around the world.

Air China Profits Fall
Air China Ltd reported that its profits fell 76.7 percent in the first half of 2012 as compared to 2011. Air China cited higher fuel costs and slowing demands as reasons for the drop in profits.

Cargo traffic was down 5.7 percent in the same period and the load factor on its capacity was only 56.9 percent. The recent release of the iPhone 5 and other electronics for the holiday season should help the demand surge in this final quarter of the year.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Helps Bring Quattrocycle to the United States

Samuel Shapiro & Company, Inc. recently facilitated the importation of the first Quattrocycle to ever hit the U.S. retail market.

Aaron Rosenzweig, an avid biker from Maryland, had a dream to bring safe group cycling to the United States. Unhappy with the choices currently available in the U.S. market, Aaron traveled overseas to the Netherlands in search of a family-friendly, durable biking option. There, he discovered the Dutch Quattrocycle. As a result, Chat n' Bike, LLC, was founded with the purpose of bringing the unique product to American families. The next challenge was importing the first twelve Quattrocycles into North America, a process with which Rosenzweig was unfamiliar. He found the solution in Samuel Shapiro & Company, Inc.

Genia Blades, Import Account Coordinator of Shapiro's Baltimore office, arranged the shipment from pick up at origin to its final warehouse delivery in Linthicum Heights, MD. In addition to expediting the clearance of the Quattrocycles through Customs, Shapiro facilitated its clearance by the Department of Transportation to ensure imported articles conform to all applicable Federal motor vehicle safety standards (FMVSS).

"Shapiro takes all the worry out of overseas shipments," noted Rosenzweig, founder and owner of Chat n' Bike, LLC. "Genia Blades at Samuel Shapiro took care of everything. She arranged the pickup from the manufacturer in Holland, to the boat, across the ocean, to the warehouse in Baltimore."

"We were happy to assist Aaron in importing such a unique product to the U.S. market," noted Kathy McKoy, Regional Manager for Samuel Shapiro & Company, Inc. "Over the course of so many years, we have had the opportunity to help bring in many new, interesting products to America, and this is definitely one of those products. It was exciting to be a part of this project and we are ready to support Chat n' Bike's growth on the logistics end as demand increases for this family-friendly product."

For more information on Chat n' Bike, please visit http://www.chatnbike.com.

Employees 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 Kim DeVoe, Corporate Credit and Collections Manager, and Billie Mullineaux, Charleston Team Leader, for their 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.