



“SHAP” TALK

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TRADE NEWS

First Sale Declaration Requirement

In January of this year, U.S. Customs & Border Protection (CBP) published a notice in the Federal Register proposing to change the valuation method for multi-tiered transactions (typically a first sale from the foreign manufacturer to a foreign middleman, and then a second sale from the foreign middleman to the U.S. importer). Customs had proposed that in a transaction involving a series of sales, the transaction value would be the price paid in the last sale occurring prior to the introduction of the goods into the U.S. instead of the first (or earlier) sale which usually results in lower duties paid. The proposal set off a storm of controversy and in June, the CBP Commissioner stated Customs had shelved the proposal. In August, the proposal was formally withdrawn.

In the recently enacted Farm Bill, Congress included a provision instructing Customs to require effective August 20, 2008 for a one year period, a declaration from the importer whether the transaction value of imported merchandise was determined on the basis of a first or earlier sale. Customs will collect the information and send it to the International Trade Commission which in turn will submit the information to Congress. Transaction value is defined as the “price actually paid or payable for merchandise when sold for exportation to the United States.” The First Sale Declaration will be required at the line item level when the declared transaction value of the imported merchandise is determined on the basis of the price paid by the buyer in a sale occurring earlier than the last sale prior to the introduction of the merchandise into the United States.

To meet the first sale criteria the importer must establish the first sale was an arm’s length transaction and, that at the time of the first sale, the goods were clearly destined for exportation to the United States.

Due to the complexity of programming changes required by importers and brokers to implement the First Sale Declaration, Customs will delay enforcement of this provision for 30 days until September 20, 2008. Entries subject to the First Sale Declaration made between August 20th and September 19th will not be rejected based on any First Sale Declaration requirements, but will need to be amended if no declaration or an incorrect declaration is made. Customs said information on amendments will be forthcoming.

If your shipment is subject to First Sale valuation, you must provide this information to us in writing so that we can appropriately flag the importation. Your Shapiro representative will be contacting you for confirmation. Please bear in mind that a shipment flagged “F” for First Sale must bear up to scrutiny by Customs. Importers should be mindful of documentation and recordkeeping requirements to be sure their First Sale entries meet the necessary criteria.

Example of a First Sale Declaration: Manufacturer A has a shipment of widgets destined for the United States. Manufacturer A sells the widgets to Trading Company

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B for \$1,000.00 with full knowledge the goods are destined for exportation to the U.S. Trading Company B resells the widgets to Importer C at a marked up price of \$1,200.00. Importer C declares the transaction value to U.S. Customs as \$1,000.00 based on the first sale from Manufacturer A to Trading Company B. Because Importer C is using the first sale transaction value, Importer C must flag the entry of widgets with First Sale Declaration indicator "F". The "F" indicator will appear on the entry summary next to the value.

If Importer C makes entry using the \$1,200.00 price paid to Trading Company B, then no flag is made on the entry as the transaction value is based on the last sale prior to the introduction of the merchandise into the United States. If Importer C purchases the widgets directly from Manufacturer A, no flag is made on the entry as that is the only sale prior to the introduction of the merchandise into the United States.

If you have any questions, please contact us at compliance@shapiro.com.

Federal Register notice dated 8/25/08 regarding First Sale declaration requirement:
<http://edocket.access.gpo.gov/2008/pdf/E8-19640.pdf>

Softwood Lumber Importer Declaration Program

The recently enacted 2008 Farm Bill includes the Softwood Lumber Act of 2008. Under this new law, importers of softwood lumber and softwood lumber products are required to make a declaration to U.S. Customs & Border Protection. The purpose of the importer declaration program is to ensure that importation of softwood lumber into the United States is consistent with the U.S.'s international trade agreements. This declaration must include the following:

1. The **export price** for the shipment. In the case of softwood lumber or a softwood lumber product that has undergone only primary processing, the export price is the value that would be determined FOB (free on board) at the facility where the product underwent the last primary processing before export. In the case of softwood lumber or a softwood lumber product described in Section 802(5)(A)(ii)(II) of the Softwood Lumber Act of 2008, the export price is the value that would be determined FOB at the facility where the lumber or product underwent the last primary processing.
2. The **export charges** (if any). Export charges are any tax, charge, or other fee collected by the country from which softwood lumber or a softwood lumber product, described in Section 804(a), is exported pursuant to an international agreement entered into by that country and the United States.
3. An **importer declaration**. The declaration must accompany the entry documentation. The importer must declare that (1) the importer has made appropriate inquiry, including seeking appropriate documentation from the exporter and consulting the determinations published by the Under Secretary for International Trade of the Department of Commerce pursuant to section 805(b); and (2) to the best of the importer's knowledge and belief (A) the export price provided pursuant to subsection (b)(1) is determined in accordance with

the definition provided in section 802(5); (B) the export price provided pursuant to subsection (b)(1) is consistent with the export price provided on the export permit, if any, granted by the country of export; and (C) the exporter has paid, or committed to pay, all export charges due (i) in accordance with the volume, export price, and export charge rate or rates, if any, as calculated under an international agreement entered into by the country of export and the United States; and (ii) consistent with the export charge determinations published by the Under Secretary for International Trade pursuant to section 805(b).

This information is required for all importations of softwood lumber and softwood lumber products, regardless of country of export or origin. Importers of softwood lumber home packages and kits are also subject to new recordkeeping requirements. The requirements go into effect September 18, 2008. Violations of the Softwood Lumber Act of 2008 are subject to civil penalties up to \$10,000.00 for each knowing violation. Violations could also give rise to a claim for liquidated damages under the importer's bond equal to the value of the merchandise.

Softwood is also known as coniferous wood which includes pine, fir, spruce, hemlock, larch, cedar, and redwood. Among the softwood lumber products excluded from the declaration requirement are pallets, furniture, edge-glued wood (classified under 4421.90.9740), and household and personal effects.

The Customs notices about the Softwood Lumber Act of 2008 may be found at:

http://www.cbp.gov/xp/cgov/newsroom/news_releases/08192008_2.xml

http://www.cbp.gov/xp/cgov/newsroom/alerts/alert_softwood_lumber.xml

The Federal Register notice dated 8/25/08 may be found at:

<http://edocket.access.gpo.gov/2008/pdf/E8-19641.pdf>

If you would like a copy of the Softwood Lumber Act of 2008, please contact us at compliance@shapiro.com.

Questions about the Softwood Lumber Act of 2008 may be addressed to SWL2008@dhs.gov.

President Signs Consumer Product Safety Bill

On August 14, 2008 President Bush signed the Consumer Product Safety Improvement Act of 2008 into law. It authorizes the Consumer Product Safety Commission (CPSC) to take an expanded role in the safety of consumer products and requires more stringent federal safety standards on children's and infants' products. It also grants authority to the CPSC to monitor testing of consumer products and to impose penalties on violators.

Provisions include the following. Note that this listing is not all inclusive.

- A progressive decrease in the amount of allowable lead in children's products over the next 3 years, and a decrease of lead levels in paints within 1 year. Both standards will require review every 5 years toward lower levels based on the technology available.
- A ban on children's products that contain phthalates at certain levels. It will be illegal to import, sell, or distribute products such as toys and child care articles containing the chemicals.
- Compliance certifications are required from manufacturers who are subject to any consumer product safety rule. The certification must state that the product complies with all applicable rules, standards, and bans. Any manufacturer and the private labeler as applicable must also submit product samples to an accredited third party for compliance testing. The resulting certification is required as a condition of importation on products intended for use by children under age 12 that is subject to a safety rule.
- The manufacturer of infant and toddler durable products such as cribs, highchairs, etc. must provide their name, contact information, model number and name, and the date of manufacture permanently on each product. They must also provide a postage paid consumer registration form with each product to be able to track consumers in a recall campaign.
- Within the next two years the CPSC must conduct a study on formaldehyde used in the production of apparel and other textile articles to be able to identify any risks associated to consumers.
- Products refused admission into the U.S. must be destroyed unless the Secretary of the Treasury permits the products to be exported. Any allowable export must be completed within 90 days.
- Civil penalties are increased to a maximum of \$100,000 per violation with a cap of \$15 million. Criminal penalties include fines and up to 5 years in jail.
- Within the next year the CPSC must submit a plan to provide a database to consumers for researching reports of harm relating to the use of specific products, any corrective action taken by the manufacturer, and any subsequent comments. The database must be available for use within 18 months from the submission of the plan.
- An all-terrain vehicle (ATV) standard will be published within 90 days as the mandatory consumer product safety standard. The standard, Standard for Four Wheel ATV's Equipment Configuration and Performance Requirements, will take effect 150 days after publication. It will be illegal for any manufacturer or distributor to import or distribute any vehicle whether assembled or not that does not conform with each provision of the standard.

The entire conference report is available for review by visiting:
<http://energycommerce.house.gov>.

Changes Proposed to Rules of Origin

In a July 25, 2008 Federal Register notice, U.S. Customs & Border Protection (CBP) is proposing to establish uniform rules of origin. All merchandise imported into the United States is subject to a country of origin determination. The origin of imported

goods is determined for various purposes including admissibility, eligibility for preferential trade programs, country of origin marking requirements, and administration of the U.S. textile import program. Under the current regulations, there are two primary methods CBP uses to determine country of origin when imported goods are processed in, or contain materials from, more than one country.

One method relies on “substantial transformation,” a subjective case by case method that traces its roots to a U.S. Supreme Court case in 1908. A good must be substantially transformed, that is, transformed into a new and different article with a new name, character, and use, in a country in order for it to be considered a product of that country. Sometimes the substantial transformation is obvious – wheat is grown in country A, is milled into flour in country B, and is baked into bread in country C. Other times it is less so, and can end up before the courts and in binding rulings leading to a lack of predictability and certainty for both CBP and importers.

The second method uses codified rules expressed through changes in tariff classification. This method also employs substantial transformation standards and is known as tariff shift. The codified rules result in determinations that are more objective and predictable than under the case by case method. For example, tariff shift rules are used for NAFTA determinations and are codified in Part 102 of the Customs regulations.

The Federal Register notice proposes to extend the application of the Part 102 rules of origin to all country of origin determinations. Customs goes on to point out that the Part 102 rules will not be used where preferential trade agreements specify another origin test for that purpose. The Part 102 rules also will not be used for making preference determinations for goods other than textile and apparel goods under the U.S.-Israel and U.S. Jordan Free Trade Agreements. CBP also intends to apply the Part 102 rules to any FTA negotiated in the future.

Customs believes the proposed extension of the Part 102 country of origin rules to all trade will result in determinations that are more objective, transparent, and predictable and will facilitate the exercise of reasonable care by importers with respect to their obligations regarding the identification of the proper country of origin of imported merchandise. However, adapting these new rules could change previous origin determinations if they were made using the substantial transformation method. Using the tariff shift method will entail a detailed review of the raw materials and their classifications.

Comments to the notice of proposed rulemaking may be submitted on or before September 23, 2008. However, due to the significance of this rule change, a number of industry groups have requested a 60 day extension to the comment period. It is unknown as of this writing if Customs has agreed to the extension. The proposed rule may be found at:

<http://edocket.access.gpo.gov/2008/pdf/E8-17025.pdf>

BIS Publishes Final Rule to Expand Entity List

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) published a final rule on August 21, 2008 that expands the grounds for placing a party on the Entity List.

The BIS Entity List (<http://www.access.gpo.gov/bis/ear/pdf/744spir.pdf>) contains parties whose participation in a transaction can trigger a license requirement under the EAR. The list specifies the license requirements that apply to each listed entity. These license requirements are in addition to any license requirements imposed on the transaction by other provisions of the EAR.

Under the new rule, a party could be placed on the Entity List if there is reasonable cause to believe that the entity has been involved, is involved, or poses a significant risk of becoming involved in activities that are contrary to the national security or foreign policy interests of the United States. Those acting on behalf of such entities may also be added to the Entity List.

BIS advises the End-User Review Committee will conduct a review of the entire Entity List at least once per year for the purpose of determining whether any listed entities should be removed or modified. The review will include analysis of whether the criteria for listing the entity are still applicable.

Under Secretary of Commerce Mario Mancuso advises that these changes allow BIS to better adapt to the changing security environment and to focus its export control efforts more closely.

Read the complete Federal Register Notice dated August 21, 2008 at:
<http://edocket.access.gpo.gov/2008/pdf/E8-19102.pdf>

FDA to Improve Food Safety through Importer Requirements and New Programs

A legislative bill number S. 3385 was introduced on July 31, 2008 which would allow the Food & Drug Administration (FDA) to impose new requirements on importers and to introduce new programs to improve the U.S. food supply chain.

The bill allows for the following measures. Note that the listing is not all inclusive.

- All importers and food facilities would be required to register with FDA. The registration would be renewable on a biennial basis. The FDA would also have authority to suspend a facility's registration if a reasonable probability exists that the facility's food product could cause health consequences, illness, or death in humans or animals. Registered importers would be required to perform food safety verifications on foreign food suppliers including sanitation, handling inspections, and recordkeeping methods. Importers that currently comply with existing food regulations such as the regulations for seafood and low acid

canned foods would be exempt from the verifications and deemed in compliance.

- The Department of Health and Human Services (HHS) would have authority to enter into agreements with foreign facilities to conduct facility inspections. Facilities that refuse inspections would be refused entry into the US.
- Importers who participate in a voluntary qualified program could benefit from expedited FDA clearances if they follow methods and measures above what minimum standards require for imported food products.
- The HHS through the FDA would have authority to refuse shipments from foreign facilities that lack export certification on high risk food commodities. Prior notice on all imported food products would also include the name of any country which refused entry of the instant shipment.
- Foreign governments, states, and foreign or domestic cooperatives would be accredited and given authority to act as third party auditors of food facilities to ensure compliance with US safety standards. The FDA would also be required to have offices in a minimum of five foreign countries. The frequency of FDA inspections at all facilities would have to increase and FDA would allocate inspection resources based on a risk profile of the facility.
- When a food product is believed to be contaminated or misbranded the FDA could exercise their authority to administratively detain a suspected shipment. FDA was given this authority in 2002, but it hasn't been utilized. FDA would also have authority to institute recalls on food products when companies fail to voluntarily recall their own products upon the determination of contamination or misbranding.
- FDA would have to increase its field staff over time by the year 2013 and their funding would be increased to allow the increase in staff.
- The FDA would be responsible for developing a comprehensive plan to help foreign governments increase safety in their respective food industries.
- Finally the FDA would have authority to assess fees for compliance failures such as recalls, and for services rendered such as re-inspections, and for participation in a qualified importer program.

USDA Issues Mandatory Country of Origin Labeling Requirements for Certain Products

On August 1, 2008, the U.S. Department of Agriculture (USDA) issued an interim final rule calling for the mandatory country of origin labeling (COOL) by retailers for certain products. The covered commodities include muscle cuts of beef (including veal), lamb, chicken, goat, and pork; ground beef, ground lamb, ground chicken, ground goat, and ground pork; wild and farm-raised fish and shellfish (COOL requirements already in effect); perishable agricultural commodities (fresh and frozen fruits and vegetables); macadamia nuts; pecans; ginseng; and peanuts. However, they are excluded from mandatory COOL if they are an ingredient in a processed food item. The interim final rule includes a Q&A section as well as recordkeeping requirements for entities that supply retailers with a covered commodity. The interim final rule is effective for goods produced or packaged on or after September 30, 2008. The law provides for penalties

for both suppliers and retailers found in violation of the law of up to \$1,000.00 per violation.

The Federal Register notice is available at:

<http://edocket.access.gpo.gov/2008/pdf/E8-17562.pdf>

Mandatory Electronic Filing of Commerce Licenses, Classification Requests and Other Requests

The Bureau of Industry and Security (BIS) published a final rule on August 21, 2008 that will amend the Export Administration Regulations, Part 748 to require electronic filing via BIS's Simplified Network Application Processing system (SNAP-R) (<http://www.bis.doc.gov/snap/index.htm>) for all below unless otherwise authorized by BIS*:

- ◆ Export and reexport license applications (other than Special Comprehensive License or Special Iraq Reconstruction License applications)
- ◆ Encryption review requests
- ◆ License exception AGR notifications
- ◆ Classification requests and their accompanying documents

The effective date of this final rule is October 20, 2008.

*This requirement does not apply to applications for Special Comprehensive Licenses or in certain situations in which BIS authorizes paper submissions. BIS will authorize paper submissions or process paper applications notices or requests if the submitting party meets one or more of the following criteria:

- ◆ BIS has received no more than one submission (*i.e.* the total number of export license applications, reexport license applications, encryption review requests, license exception AGR notifications, and classification requests) from that party in the twelve months immediately preceding its receipt of the current submission.
- ◆ The party does not have access to the Internet.
- ◆ BIS has rejected the party's electronic filing registration or revoked its eligibility to file electronically.
- ◆ BIS has requested that the party submit a paper copy for a particular transaction.
- ◆ BIS has determined that urgency, a need to implement U.S. government policy or a circumstance outside the submitting party's control justify allowing paper submissions in a particular instance.

For further information about this rule contact William Arvin, e-mail warvin@bis.doc.gov or tel. 202-482-2440 or view the entire Federal Register Notice dated August 21, 2008 at: <http://edocket.access.gpo.gov/2008/pdf/E8-18852.pdf>

Coming to an Airport Near You

Have you heard of Global Entry? Are you a frequent traveler? If so, you should go through Washington Dulles International and experience the Global Entry Pilot Program in full swing. Below is an excerpt from the Customs website detailing the pilot program for Global Entry.

“The Global Entry pilot program began June 10 at John F. Kennedy International, George Bush Intercontinental and Washington Dulles International airports. Approximately 1,100 members have already enrolled and roughly 370 Global Entry members have used kiosks at the three existing pilot locations. Global Entry-approved participants bypass the regular passport control line and proceed directly to the Global Entry kiosk. At the kiosk, Global Entry travelers will activate the system by inserting their passports or U.S. permanent resident cards into a document reader. The kiosk will direct travelers to provide digital fingerprints and will compare that biometric data with the fingerprints on file.”

Next stop for this program is LAX, ATL, ORD and MIA. Happy Traveling!

Statistics and More Statistics

We've mentioned rising exports in many of our Shap Talk issues and the difficulties in booking exports and finding containers for export cargo. What effect have all these exports had on the trade deficit? Not as much as you'd think. While exports were up 18.3 percent in the first six months of 2008 over the same period in 2007, imports climbed 12.6 percent. The rising cost of petroleum has offset any gain the U.S. has seen in exports. In June alone, the U.S. imported a record \$44.5 billion in petroleum. Oil and energy products constituted nearly a quarter of all U.S. imports in the second quarter of this year. As of June 2008, the trade deficit stood at \$56.8 billion.

In June 2008, U.S. exports of goods and services grew by 21.1% over June 2007 to \$164.4 billion, while imports increased 13.5% to \$221.2 billion.

The largest increase in export markets for U.S. goods as of June 2008 compared to June 2007 were:

Canada (\$136.4 billion, up 11.9%)

Mexico (\$74.0 billion, up 11.0%)

China (\$36.7 billion, up 20.1%)

Japan (\$34.0 billion, up 8.1%)

Exports now comprise 13.4% of the U.S. Gross Domestic Product (GDP) up from 5.2% 40 years ago and 9.3% five years ago.

In July, the U.S. International Trade Commission (ITC) released “The Year in Trade 2007.” We'll summarize a few facts and figures.

- \$1.943 trillion – value of U.S. imports
- \$1.046 trillion – value of U.S. exports
- \$855 billion – value of NAFTA trade (import and export)
- \$578.5 billion – value of EU trade (import and export)
- \$383.8 billion – value of trade with China (import and export)
- \$323.1 billion – value of imports from China
- \$96.4 billion – value of textile imports
- \$32.3 billion – value of textile imports from China
- \$30.8 billion – value of GSP imports
- 33 – new antidumping investigations
- 8471.30 – the HTS subheading for laptop computers, the leading HTS by value (\$17 billion) for imports from China
- 8802.40 – the HTS subheading for airplanes and other aircraft, the leading HTS by value (\$6.2 billion) for exports to China
- Machinery and transport equipment – the number one commodity group by value imported by the U.S. (\$739 billion) and exported by the U.S. (\$463 billion)

The ITC 2007 report is available at:

<http://hotdocs.usitc.gov/docs/pubs/332/pub4026.pdf>

Free Trade Agreements in the Western Hemisphere for the U.S. have grown steadily. With the largest FTA being the North American Free Trade Agreement (NAFTA), U.S. exports to Canada and Mexico alone have increased 171% to reach \$385 billion in 2007 and already \$210.4 billion as of June 2008.

The Free Trade Agreements with Chile and Peru have also produced an increase in exports to these regions.

There are two Free Trade Agreements currently pending between the United States and the nations of Colombia and Panama. The U.S. anticipates there will be many opportunities for U.S. exporters in these markets once these FTA's are finalized.

The entire export fact sheet for June 2008 is available at:

http://www.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01_006913.pdf

U.S. Customs & Border Protection (CBP) issued a press release in July on their Intellectual Property Rights (IPR) seizure statistics for mid-fiscal year 2008. The value of counterfeit and pirated products seized by Customs increased by 2.7 percent to \$113.2 million. China continues to be the top source country for IPR infringing goods with 85 percent by value. Footwear remains the top commodity seized representing 36 percent of the total value of IPR seizures; 96 percent of the seized footwear comes from China.

The CBP IPR report is available at:

http://www.cbp.gov/linkhandler/cgov/trade/priority_trade/ipr/seizure/fy07_final.ctt/fy07_final.pdf

TRANSPORTATION UPDATE

Mandatory Container Seal Requirement

U.S. Customs & Border Protection (CBP) has issued a General Notice in the August 7, 2008 Federal Register stating that all maritime containers arriving by vessel at a port of entry in the United States on or after October 15, 2008, are required to be sealed with a seal meeting the ISO/PAS 17712 standard. This requirement is pursuant to the Implementing Recommendations of the 9/11 Commission Act of 2007 ("9/11 Act") signed into law by President Bush a year ago. ISO/PAS 17712 requires that container freight seals meet or exceed certain standards for strength and durability so as to prevent accidental breakage, early deterioration (due to weather conditions, chemical action, etc.) or undetectable tampering under normal usage. ISO/PAS 17712 also requires that each seal be clearly and legibly marked with a unique identification number.

All loaded containers, including foreign cargo remaining on board (FROB), are required to be sealed with a seal meeting the ISO/PAS 17712 standard. CBP recognizes there are certain types of containers that cannot be readily secured by use of a ISO/PAS 17712 standard container seal, such as tanks, non-standard containers (such as open top containers), or containers that simply cannot accommodate a seal meeting the ISO/PAS standard (such as custom built containers). These types of containers are not subject to the statutory requirement.

If a container arrives by vessel at a port of entry in the United States on or after October 15, 2008 either with no seal or with a seal that does not meet the ISO/PAS 17712 standard, CBP may assess a civil penalty against the responsible party for violation of the 9/11 Act under 19 U.S.C. 1595a(b) for the attempted introduction of merchandise into the United States contrary to law. CBP will be phasing in penalty assessment for such violations.

We ask that you please make sure your foreign suppliers are aware of this requirement.

The Federal Register notice is available at:
<http://edocket.access.gpo.gov/2008/pdf/E8-18174.pdf>

SEPTEMBER 2008 Update

Samuel Shapiro & Company, Inc. now has a Global LCL program for both imports and exports to offer our customers competitive pricing and provide us with the technology that will support us and our customers. We can quote almost immediately and also have access from our website to sailing schedules.

Due to rising fuel costs most carriers are increasing their BAF to and from the U.S. on a monthly basis.

We were informed by MSC recently that Freeport is very congested. Transshipments are taking anywhere from 12-24 days once cargo discharged.

FAR EAST

Please be advised that most carriers are delaying Peak Season Surcharge until 9/1/2008. The published Peak at this time is:

\$320.00/20'

\$400.00/40'

\$450.00/40 HC

\$510.00/45'

As always we will be negotiating to obtain lower Peak on our contracts.

Expect BAF increases monthly now with the fluctuating BAF in most steamship line contracts.

MEDITERRANEAN

Samuel Shapiro & Company, Inc. has direct service for LCL cargo from Italy to Baltimore without the congestion of New York. Service moves on the MSC service with very competitive rates.

Please be advised that MSC will increase their BAF level September 1, 2008 from Italy, Spain, Portugal, Southern France, Slovenia, Croatia, Albania Israel and Turkey. To the East Coast and Gulf Ports the increase is \$20.00/20' and \$25.00/ 40'. To the West Coast Ports the increase is \$120.00/20' and \$232.00/40'.

Please be advised that United Arab Shipping Company has announced a BAF increase effective September 1 from Turkey to the U.S. The new BAF is \$350.00/20' and \$600.00/40'.

SOUTH AMERICA

Brazil Situation -Brazil has become increasingly strained and we are currently experiencing many issues that are affecting all customers out of Brazil. In an attempt to answer some of your questions we have compiled some information to help better understand the situation in Brazil and why shipments are taking longer than usual to sail. In the last 3-4 months K-Line, Yang Ming, Mitsui and Hanjin have all pulled their vessel strings from the South America-U.S. East Coast trade. Maersk has also recently pulled out of this region. Needless to say, this has a significant impact on the supply of vessel capacity, increasing demand and subsequently price. Currently, the U.S. East coast is only being serviced by CSAV/Libra and MSC vessels. The other carriers still "offer" the service, but what they are doing is chartering space on MSC

and CSAV/Libra vessels. Space can be very limited with the chartered slots. Many times we are getting better rates with the other carriers, but then run into situations where the space is not available. Another recent change in Brazil customs that has affected our bookings is the institution of a new rule that states that booking information must be submitted almost a week before sailing. Therefore, if you have to change a booking from one carrier to another, the sailing may be pushed back. As a result, rates are changing almost monthly and we will be updating you accordingly. Below are the most recent changes to rates.

MSC has announced Overweight Surcharges for the following lanes from South America:

From Argentina to the U.S. effective August 28, 2008 for a 20' container containing over 21 MT, there is an additional charge of \$200.00 per container.

From Peru and Colombia to the US effective September 12, 2008 for a 20' container over 18 MT there is an additional charge of \$150.00 per container.

Please be advised of the upcoming BAF and GRI increases:

MSC: BAF increase scheduled for September 15, 2008 from Argentina, Peru, and Brazil

20': from \$650.00 to \$700.00

40' and 40'HC: from \$1,300.00 to \$1,400.00

Hamburg Sud: BAF increase scheduled for September 5, 2008 from Brazil

20': from \$710.00 to \$815.00

40' and 40' HC: from \$1,420.00 to \$1,630.00

Evergreen: GRI scheduled for September 1, 2008 from Brazil

20': \$200.00

40' and 40'HC: \$300.00

NYK: BAF increase scheduled for September 3, 2008 from Brazil

20': \$705

40': \$1,410.00

Colombian truckers have paralyzed nearly 90 percent of the country's cargo fleet to support a nationwide indefinite strike that began in the beginning of August. 150,000 vehicles will join the strike that the Association of Colombian Truckers (ACC) began. According to the strikers, most vehicles in major cities such as Medellin, Cali, Buenaventura, Cucuta and Ipiales were paralyzed. The strike, according to the Society of Colombian Farmers (SAC), might affect food supplies over the next few days, although the situation in the country's market remains normal. The truckers' leaders said they are willing to talk with the government, but they have rejected to negotiate with Transportation Minister Andres Gallego, whom they described as unreliable.

Please be aware we have received information from our agents in Brazil advising us of delays up to a week due to the ANVISA (sanitary regulation) strike at the port of

Santos. Unfortunately our agents have informed us that there is currently no information as to when this strike may end.

We want to inform our customers of a new process in Brazil. Siscarga (the Brazilian Customs and Marine Merchant integrated system) is affecting the export shipments from Brazil. Bookings need to be made a week in advance of cut off and information submitted through the Siscarga system. As a result, the carriers are setting their cut offs for one week before the sailing. This may cause problems if shippers do not have cargo available and need it rushed.

NORTHERN EUROPE

BAF levels seem to be staying the same for August.

EXPORT

Freight forwarders in the U.S. are currently experiencing significant delays in getting space on board vessels. We have seen this developing in the market since the New Year. In other words, when you call us to make a booking and we contact the steamship line, typically the first available vessel we can book is not for two to three weeks. Gone for now are the days when you can call and expect to make a sailing in the same or next week.

To be clear about this challenge, the reasons for it unequivocally lie with the steamship lines. In general terms, they have reconciled their vessel strings to increase capacity in the Asia to Europe trade lane, subsequently reducing capacity in their other routings. Meanwhile U.S. exports have picked up due to the weakening dollar, which also puts downward pressure on capacity. In combination, there is more demand for space, rates are increasing, and the leverage once again lies with the steamship lines as they choose not to satisfy this burgeoning volume.

In discussion with other freight forwarders, two to four weeks appears to be standard for getting on board a vessel. If you are booking through us, we recommend the following. First and foremost, please give us as far advance notice as possible to make the booking. There is no charge from the steamship line to cancel a booking so long as the equipment is not pulled out. If you can notify us when the order goes into production, we will make the booking that far out. Should it be necessary to cancel, we can do so.

Secondly, the steamship lines typically allow a certain number of container slots per port. If you are willing to consider higher pre-carriage costs in order to make an earlier sailing, then we can try to book out of a port further away. For example, if you normally sail out of Baltimore, you may want to consider New York or Norfolk as alternatives. We can look at alternative ports as well as alternative carriers.

As with any challenge in international logistics, clear open communication is key to success. We ask that you please bear with us through these challenges and know

that we will do everything in our power to get you on the earliest vessel possible. There is no foreseeable end to the current environment, so this is a business reality that we will have to work through together.

Please be advised that for Export Cargo all carriers are imposing BAF increases almost monthly. Rates will be re-quoted at the time of booking due to the constant changing of rates.

DOMESTIC

Please be aware that with the rising fuel costs inland fuel prices are going up weekly with the inland transportation carriers. If you were quoted a fuel surcharge a few weeks ago, the chances are that has gone up since then.

SAMUEL SHAPIRO & COMPANY, INC. – THE LATEST

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Is There a Cost-Efficient Way to C-TPAT Membership?

What are the top two reasons for importers not joining C-TPAT? Simple: time and money. The benefit of fewer Customs inspections sounds great but not every company is able to invest the time and money it takes to become C-TPAT certified. Or so they think. The truth is becoming C-TPAT certified is not as complicated as you may think. Most companies only have to make minor tweaks to their procedures rather than investing thousands of dollars in security measures.

What about putting it all together and submitting it to Customs? Knowing what to include (and what not to include) can be extremely confusing...if you don't have the right tools. Shapiro's Compliance Department created a do-it-yourself workbook with this in mind. This kit contains all the documentation and templates you need to successfully complete and submit your C-TPAT application on your own. It will give you step-by-step instructions on how to bring it all together. The cost is only \$400.00 per booklet, which also includes all documents and templates in a CD.

This manual makes the process straightforward and is the most affordable way to pursue certification. However, if you are part-way through and decide that you need assistance, our Compliance Department will be happy to engage as consultants in the process and will deduct the cost of the workbook from the project cost. If you have been on the fence about joining C-TPAT, now is the time.

For more information, please contact our Compliance Department at compliance@shapiro.com or call us at 800-695-9465, ext. 290.

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 Connie Poston, Atlanta Import Coordinator, 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.