

Supply Chain *Reactions*

A Condensed Newsletter for American Shippers

These certainly are challenging times for all of us. During this unprecedented pandemic, we have compiled a condensed update of supply chain conditions and freight rate trends. The below is the status of events as of **April 22, 2021**.

Quote of the Issue:

“Fear is, I believe, a most effective tool in destroying the soul of an individual—and the soul of a people.”

– Anwar Sadat

Suez Pushes Market to Worst Allocation ‘Ever Given’

ShapLight Focus: In March 2021, there were 3.02 million TEUs of ocean imports; this is 50.5% more than March 2020 and 36.9% more than March 2019

- Despite the largest cargo backlog in history, the steamship lines were forced to blank capacity up to 20-25% from Asia to the US in April to address severe vessel displacements after the Suez blockage
- The cumulative delay for the global shipping fleet after the Suez incident has now reached over **THREE YEARS** at 1100 days
- In a troubling announcement, THE Alliance expects to operate only 8 of its 13 direct sailings from North China to the US East Coast in May
- **2021 Steamship Volume Highlights:**
 - Zim has doubled its volume, Q1 2021 vs. Q1 2020
 - Hyundai has grown 73.8% in volume YTD 2021 vs. 2020
- On-time arrival statistics are so bad that they feel almost meaningless; Asia to US services for both the West and East Coasts sit at approximately 10%, which is by far the lowest performances on record
- In 2020, US containerized exports declined 7.7%, though agricultural exports to Asia rose almost 9%; despite mixed demand, export costs are expected to rise considerably as steamship lines are more and more reluctant to utilize containers for low-revenue cargoes
- An estimated half million TEUs are delayed and awaiting a berth along the long coast of California
- After posting a modest uptick in November 2020, the US inventory to sales ratio plunged in January – February 2021 to a 30-year low; many analysts look at this ratio as a powerful barometer for future import demand

Chart of the Issue:



Administration Aims Their Labor at Fighting Forced Labor

ShapLight Focus: An estimated 25 million people are victims of forced labor worldwide today; a heartbreaking 152 million children are still forced into child labor

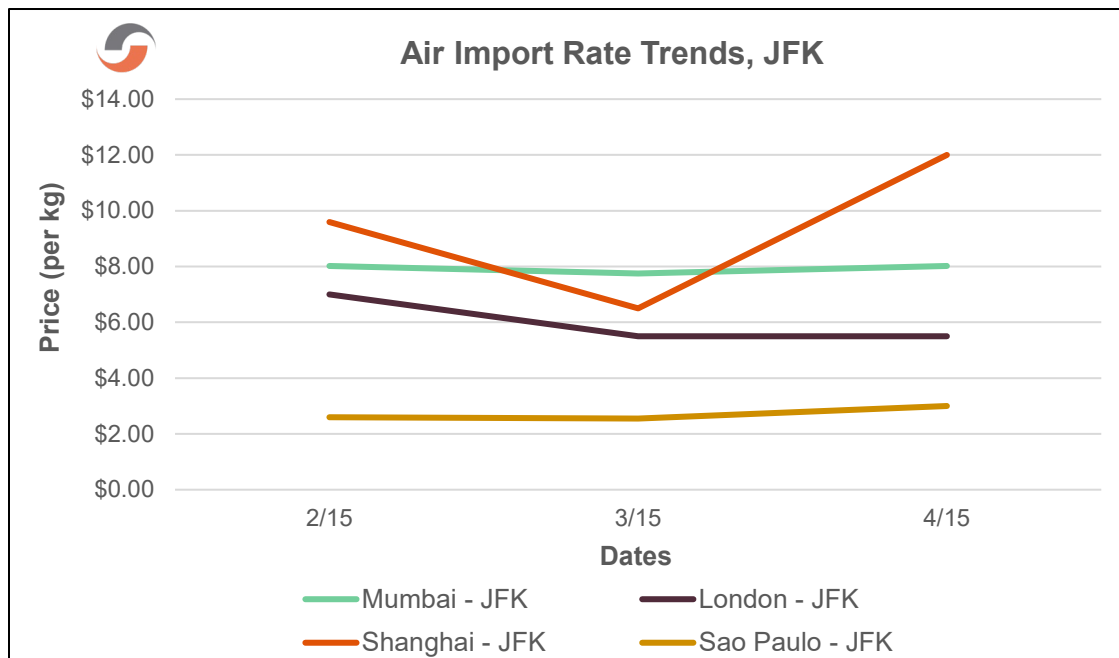
- US Customs and Border Protection (CBP) has announced that they are prohibited from disclosing manufacturer IDs when products are seized under a [Withhold Release Order](#) (for suspicion of forced labor, for example); CBP will reveal exporters' identities only after a finding is complete
- CBP indicated that the recent forced labor finding for disposable gloves applies only to Top Glove factories in Malaysia; Top Glove has 43 factories in Malaysia, 5 in Thailand, and 1 in both Vietnam and China
- The Court of International Trade (CIT) has found that President Trump violated procedural time limits when [expanding Section 232 tariffs to steel and aluminum derivatives](#); the Department of Commerce still has the opportunity to appeal CIT's decision in federal court
- The US Treasury Department has found that Switzerland, Taiwan, and Vietnam improved their currency practices enough to be taken off the currency manipulator list; this decision reduces Vietnam's risk from the Section 301 review of their currency and timber practices launched by the Trump administration and not yet cancelled by the Biden administration

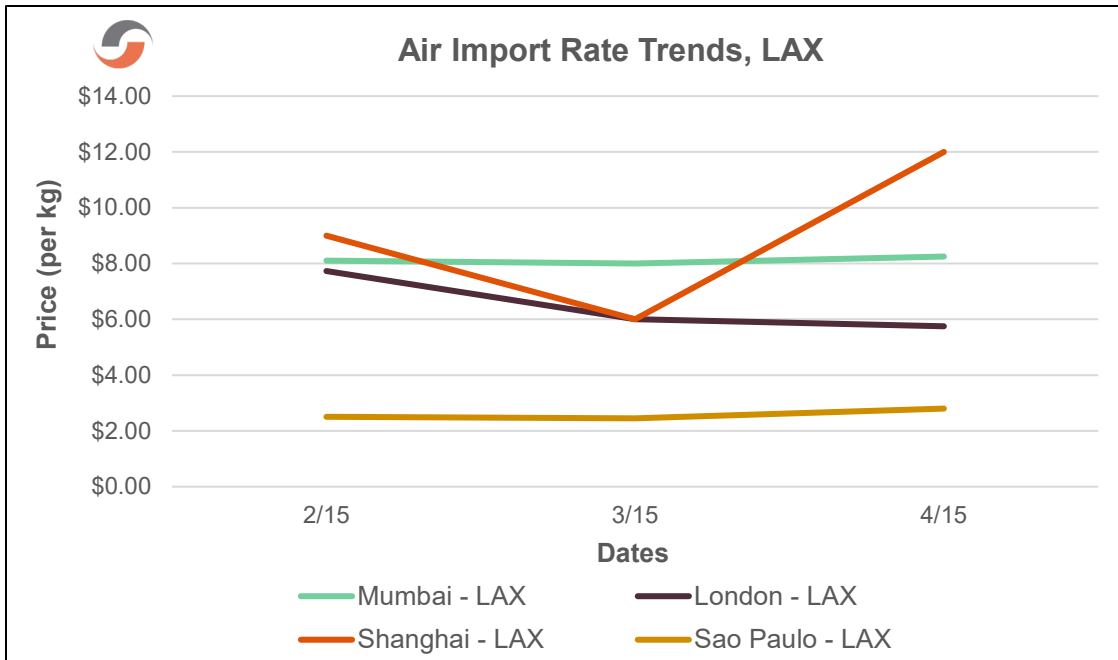
Global Vaccination Rollout Injects Optimism for Air Cargo

ShapLight Focus: Global demand for airfreight has increased over 10% in 2021 vs. 2019, while air cargo capacity – based on the scarcity of passenger flights – is estimated to be down 40% over the same period; 2019 is considered a better comparison than 2020 due to Covid irregularities

- Because of the favorable tension between supply and demand, the global air services market is expected to grow from \$56.48 billion to \$64.98 billion in 2021
- During the month of April alone, airfreight rates from Shanghai to Los Angeles have increased by 40% to \$11/kg with further increases expected; these rates are more than double 2019 levels
- The International Air Transport Association (IATA) announced that the industry-wide load factor recently set an all-time record at 57.5% – with the Asia Pacific sector performing at an astounding 70% clip
- In March, air export volumes from Asia to North America were 40% higher than in 2019
- Express package shipping is up almost 50% year-on-year globally
- Demand is expected to stay strong and steady based on increased e-commerce deliveries, high tech, the return of fashion, automotive parts, and the desperation of ocean shippers who need their back-logged inventories

Please note the following three-month airfreight rate trend charts:





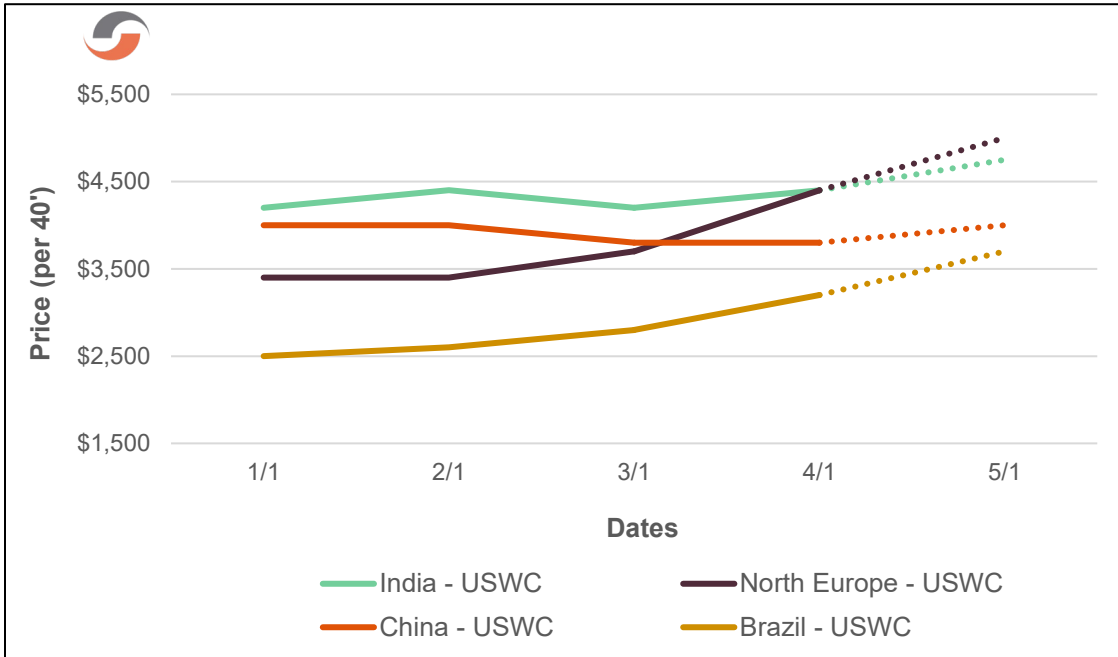
Truckers Facing a Broken System When the Cargo (FINALLY) Arrives

ShapLight Focus: Please see our map of average dwell times throughout US ports below:

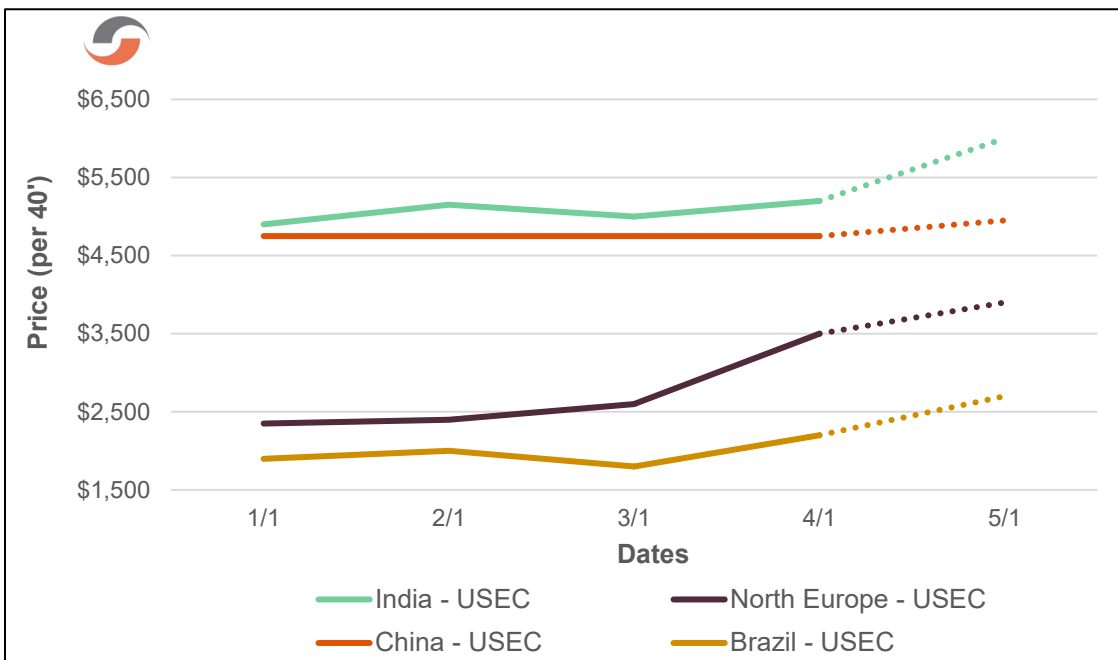


Ocean Freight Import Rate Trend Charts

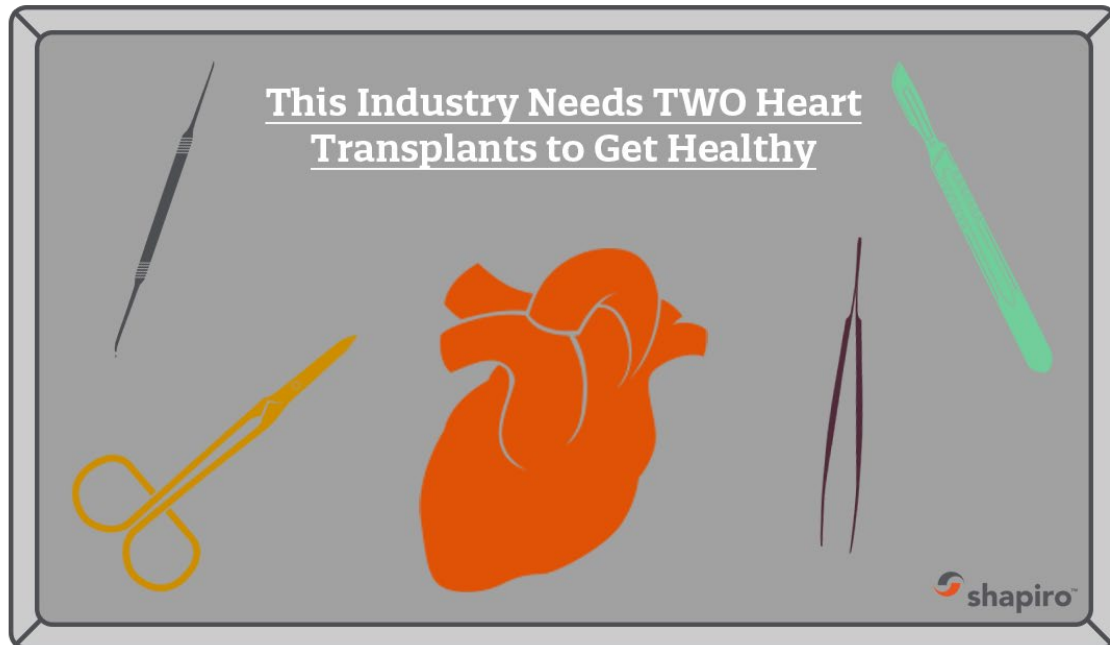
Ocean Import FAK Rates to US West Coast (per 40')



Ocean Import FAK Rates to US East Coast (per 40')



Our Expert *Shapinion*



The Physical Heart and the Spiritual Heart

With a heavy heart, I can say that in our heart of hearts we all know that our beloved ocean supply chain is very much a broken heart. Especially as we recover from Covid, the international transportation system is at least a ventricle, atrium, or aorta for the US economy (and almost certainly more).

Let's take a peek at some concerning aspects of our heart health in 2021:

1. Loaded containers are **red blood cells**; they oxygenate commerce with the rich **hemoglobin** of high-demand inventories. Transit time reliability is **heartlessly** miserable, and the delays start in the **arteries** of production and end in the **veins** of slow deliveries. We need to be able to replenish our **oxygen-poor**-inventories much faster to be healthy.
2. Empty containers are **white blood cells**; their job is to be ready in a **heartbeat** when our supply chain is under attack. While briefly **clogged**, the empty container supply was blamed on Covid throughout 2020, but I think the steamship business needs to have a change of **heart** on empties. However, recent news on big purchases in this category warms my heart!
3. The **life blood of red blood** containers means nothing when the **health** of US infrastructure amounts to **pumping healthy blood** into a very unhealthy body. We need to get to the heart of US port congestion, low trucker supply, and the endless **heart attack** of chassis availability and control.

4. At the end of the day, the heart needs to **pump a lot of blood** efficiently and effectively. Yesterday's paltry book of new vessel orders and the drying up of extra loader charter availability gets to the heart of the bigger picture supply dysfunction. This is a **heart and soul** issue, and shippers (including yours truly) must be ready to pay for instant access to the biggest **white blood cells** in all the land... quick and efficient access to scalable capacity. To do otherwise, is to risk dangerous economic **anemia**.
5. We shippers and 3PLs conveniently let our heart **skip a beat** when we look at our history of steamship negotiations. Sure, the carriers have been screaming, "**eat your heart out, market!!**" for at least nine months now, but I would argue that most of us knew the pathway to unsustainable rates **by heart** for at least nine years! I'm not pulling any **heartstrings** here because the carriers have gone too far. Their **heart of gold** would seem to be one centered only on gold profits right now... even using demurrage and per diem as truly **heartless** profit centers during the largest supply chain **heart attack** on record.

We expect our doctors to find it in their hearts to evaluate our health through a very individual lens. When it comes to the physical and spiritual problems within today's supply chain, we truly need to have multiple heart-to-heart meetings with all vested doctors and nurses along this complex system of life-giving economic nutrition. This needs to be open heart surgery with our internal teams, with truckers and warehouseman, with all types of carriers, and with the vital 3PL crew; we need to look closely at our individual hearts and souls as well.



Shap Fact of the Issue:

When fully laden, the Ever Given weighs 240,000 metric tons (530 billion pounds), and she is 1300 feet long. Put a different way, the Ever Given is as tall as the Empire State Building in New York and weighs more than Sears Tower in Chicago.

The leadership and staff of Shapiro understand the personal and business anxiety each of you is experiencing. We want nothing but safety today and a return to normalcy tomorrow for you and your families. Please reach out to us if you have any questions—or if we can assist you in any way.
