SHAP TALK

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In this issue:

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TRADE NEWS

Record U.S. Exports Support a Record 11.3 Million Jobs in 2013

In a press release issued February 25, 2014 by the U.S. Department of Commerce, U.S. Secretary of Commerce Penny Pritzker announced that U.S. exports supported more than 11.3 million jobs in 2013, up 1.6 million jobs since 2009.

The report Jobs Supported by Exports: 2013 shows that exports now support more jobs than any time in the past 20 years. In 2013, one billion dollars of services exports supported 5,931 jobs. "The strong correlation between exports and U.S. jobs is why the Department of Commerce is focused on helping American companies sell their goods and services all over the globe," said U.S. Secretary of Commerce Penny Pritzker. "The fact is, 95 percent of worldwide consumers live outside U.S. borders, and for our businesses to grow and create jobs, we have to make it possible for them to reach new markets. As an Administration, we are committed to setting the conditions that promote trade and investment, and ensuring that exports continue to drive local, state, and national economies and create jobs."

Expanding trade and investment is a top priority of the Department of Commerce and a key pillar of the Department's "Open for Business Agenda." In 2010, President Obama launched the National Export Initiative to sell more American goods and services to foreign markets. Since its launch, the United States has experienced four consecutive years of record exports, including nearly $2.3 trillion in goods and services in 2013, a 44 percent increase from 2009.

The United States Department of Commerce also announced that 16 states set new records for export sales in 2013. Ten additional states experienced growth in exports of merchandise. The sixteen states that set new records for exports in 2013 are Texas, California, Washington, Louisiana, Michigan, Ohio, Georgia, Tennessee, North Carolina, South Carolina, Kentucky, Connecticut, Mississippi, Maryland, Colorado, and Oklahoma. The additional ten states with growth in exports are Alaska, Arizona, Delaware, Kansas, Massachusetts, New Hampshire, New York, Oregon, Pennsylvania, and South Dakota.

FDA Issues Proposed Rule on the Sanitary Transportation of Food Items

The Food and Drug Administration (FDA) has issued a proposed rule in the February 5, 2014 Federal Register to establish requirements for shippers, carriers by motor vehicle and rail vehicle, and receivers engaged in the transportation of food, including food for animals, to use sanitary transportation practices to ensure the safety of the food they transport. This action is part of FDA's efforts to focus on prevention of food safety problems throughout the supply chain. Comments on the proposed rule are due by May 31, 2014.

The proposed rule would apply to shippers, carriers, and receivers who transport food that will be consumed or distributed in the United States and is intended to ensure that persons engaged in the transportation of food that is at the greatest risk for contamination during transportation follow appropriate sanitary transportation practices. For example, the proposed rule would require that shippers inspect a vehicle for cleanliness prior to loading food that is not completely enclosed by its container, e.g., fresh produce in vented boxes, onto the vehicle. The proposed rule would also apply to international shippers who transport food for U.S. consumption or distribution via air container or ocean container and arrange for the transfer of the intact container onto a truck or rail car in the United States.

"This proposed rule will help reduce the likelihood of conditions during transportation that can lead to human or animal illness or injury," said Michael R. Taylor, the FDA's Deputy Commissioner for foods and veterinary medicine.

The proposed rule does not apply to shippers, receivers, or carriers engaged in food transportation operations that have less than $500,000 in total annual sales. The proposed rule also does not apply to shelf-stable foods, live food animals, and raw agricultural commodities when transported by farms. Additionally, the proposed rule does not apply to food transiting the United States, nor to food imported for future export and not consumed or distributed in the U.S.

C-TPAT News

U.S. Customs and Border Protection (CBP) has issued updated figures for the Customs-Trade Partnership Against Terrorism (C-TPAT) program. As of February 3, 2014, the program has 10,702 certified members. Importers comprise 40% of the membership followed by carriers at 29%, foreign manufacturers at 13%, consolidators at 9%, brokers at 8%, and marine port authorities and terminal operators at less than 1%. There are 336 tier 3 importers which comprise only 8% of the importer membership. Just over 3000 companies have been suspended or removed from the C-TPAT program.

Customs has recently posted materials to help companies with the C-TPAT process. This Resource Library and Job Aids page includes samples of documents such as the 7 point container checklist, a discrepancy log, sample procedures for employee background checks, a training checklist, and more. These documents can be used by C-TPAT members as well as by companies in their supply chain to comply with security criteria.

Customs has also posted a C-TPAT Program Benefits Reference Guide to help explain the program's membership benefits, and a two page C-TPAT brochure with a general overview of the program.

FDA Announces Secure Supply Chain Pilot for Drug Importations

On February 20th the Food and Drug Administration (FDA) announced its Secure Supply Chain Pilot, which began earlier in the month, and is intended to run until February of 2016. The pilot is intended to expedite entry and clearance of drug products.

Selected drug importers are allowed to receive expedited clearances for up to 5 drug products per importer, and the drugs must be imported from manufacturers specifically identified in the importers' applications to the program. The drugs must also arrive through designated ports as mandated by the pilot. They must be entered by the identified Customs broker or filer, and they must be for designated ultimate consignees.

In the original notice that was published in August 2013, FDA advised that they would seek up to 100 participants for participation in the pilot. They chose only 13 companies from the Customs-Trade Partnership Against Terrorism (C-TPAT) Tier II and Tier III participants, which limited the selection to companies in the US, Mexico, and Canada.

The companies are:

- *AbbVie, Inc.*
- *Allergan, Inc.*
- *Astellas US Technologies, Inc.*
- *Bristol-Myers Squibb Co.*
- *Celgene Corp.*
- *GE Healthcare, Inc.*
- *GlaxoSmithKline, LLC.*
- *Merck Sharp & Dohme Corp.*
- *Mylan Pharmaceuticals, Inc.*
- *Novartis Pharmaceuticals Corp.*
- *Pfizer, Inc.*
- *Teva Pharmaceuticals USA, Inc.*
- *Watson Laboratories, Inc.*

The benefits of the program include automatic system entry decisions on drug products without human review, and an allowance of FDA resources on high risk areas to consumers.

Additional information about the program can be viewed by visiting the FDA website at: http://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm386275.htm

CBP Launches ADD/CVD Instructions Site

On February 4, 2014, U.S. Customs and Border Protection (CBP) launched a new Anti-Dumping/Countervailing Duty (ADD/CVD) instructions page on their website to assist importers with ADD/CVD compliance and to enhance trade facilitation.

The information by CBP provides for:

- *faster and more accurate access to publically available ADD/CVD instructions including scope rulings, cash deposit, liquidation information and instructions*
- *increased, more extensive search functionality*
- *the posting of active ADD/CVD instructions from the Automated Commercial Environment (ACE)*
- *fewer CBP man hours as required under the previous search web site for processing, formatting, and posting instructions*

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CBP's main goal is to provide greater functionality overall, which will allow the agency to focus on ADD/CVD evasion enforcement.

ACE account participants can also access publically available instructions through the ACE portal as the system of record for ADD/CVD instructions, messages, and specific case information including case numbers, cash deposit rates, and manufacturer and exporter names.

The new instructions page can be viewed here. From this page there are also links to view information on CBP's ADD/CVD enforcement efforts and ACE ADD/CVD information.

APHIS Unveils New Website

The Animal and Plant Health Inspection Service (APHIS), a division of the U.S. Department of Agriculture, has unveiled a new website that has been designed to be more user friendly. APHIS says that users will be able to find more information more quickly and the site will be a more effective way of doing business. "Ensuring the Agency makes the best use of technology to support our stakeholders" is a top priority of APHIS.

Export Control Reform FAQ's and Dashboard

The Bureau of Industry and Security (BIS) has posted a set of Frequently Asked Questions (FAQ's) to its website covering Export Control Reform subjects. The FAQ's cover the following issues:

- *Transition Issues*
- *600 Series Items*
- *License Exception Strategic Trade Authorization (STA)*
- *CCL Order of Review*
- *Specially Designed*

The Department of Commerce website export.gov has added an ECR Dashboard which graphically shows in stoplight fashion the status of all ECR initiatives. It shows each category, proposed rule, and final rule status, along with the status of all associated ECR initiatives.

The legend shows:

- In Process
- Not Started
- Complete

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TRANSPORTATION NEWS

March 2014 Update

INDUSTRY NEWS:

Chassis Chaos

Recent changes in the method by which container chassis are allocated have caused "chaos" in three of the largest ports in the U.S. Late last year many ocean carriers gave up control of offering chassis mostly to independent chassis leasing companies.

The nation's ports now must deal directly with equipment leasing companies and chassis pool operators to move containers to and from the ports. Unfortunately the transition is not going well and is creating numerous problems in the ports of Los Angeles/Long Beach and New York/New Jersey.

A representative of the International Longshoremen's Association has called the transition unmanaged and chaotic. ILA has expressed concern over the labor jurisdiction for maintenance and repair work surrounding the transition, but that is only one component of the larger scale environment of the chassis allocation system. Issues of ownership of equipment and chassis repositioning are snarling port logistics creating equipment availability problems.

The new system is the first time in the history of containerization where carriers are not the owners, nor maintenance providers, of container chassis. Historically, terminal operators simply provided the steamship owned chassis to the trucker who arrived at the port to collect the cargo. This began to change about three years ago when the carriers started to sell their chassis to equipment leasing companies. The carriers did this to alleviate the costs and problems associated with chassis maintenance and storage.

In some port terminals the transition from carrier to independent leasing companies went smoothly. However, the high volume ports have been susceptible to long truck lines, terminal congestion, and cargo delivery delays.

More Fees in the Port of New York and New Jersey

Many drayage companies servicing the Port of New York and New Jersey are imposing surcharges due to the severe congestion which has affected the port terminals in the past several weeks. In addition to the chassis availability issues, the port is still reeling from a rather brutal winter which caused terminal closures. These issues have left motor carriers with little choice but to add up to $175 on top of market rates plus fuel surcharge.

The surcharges reflect several hours when a driver is forced to wait in lines at the terminals. While on line, trucks continue to burn fuel. Fuel costs of $4.20 per gallon, coupled with 4 hour wait time do account for costs which need to be recouped by the carrier to pay for the driver's time. Other carriers have attempted to pass along their demurrage charges to recoup costs. The carriers, unfortunately, are not wavering from their demurrage charges in the wake of congestion at the port caused by availability and winter storms.

Motor carriers in the New York Metro Region have had a series of frustrations at the port beginning with Hurricane Sandy in late 2012. Sandy caused a 2 week shutdown. Once services resumed, Maher Terminals were confounded by computer system implementation woes which caused port wide delays last summer.

Frustration level is high with the new round of congestion related delays. One motor carrier stated that the current situation is "worse than Hurricane Sandy" with delays being "the worst in 35 years." Frustration is affecting end customers as well who have begun diverting their containers to the Port Baltimore.

Harsh Winter Takes its Toll on the Economy

The winter of 2013-2014, which brought snow, ice and abnormally frigid temperatures to much of the U.S. has also taken its toll on the economy.

According to Impact Forecasting, weather related incidents in January alone have cost the U.S. economy $3 billion with insured losses of $1.4 billion. Physical damages and business interruptions have been a collective burden to the economy and have caused direct losses in the billions of dollars.

Winter in the Northeast and Midwest has caused a serious chassis shortage at the rail terminals and has caused a disruption in the nation's manufacturing. Weather related incidents have slowed work at port terminals and inland rail ramps due to several lost days and icy conditions slowing operations. A truck queue at Maher Terminal in New Jersey was reported to be over two miles long one day in late February.

Closures and slowed operations raise costs and drive down revenues. Driver wages rise as a result of long lines to collect loads and as a result of winter related maintenance costs.

Winter weather also caused stores and retail outlets to close. These closures have a serious effect on the nation's supply chain. Schedules become backlogged when distribution center workforces did not show up for work which subsequently affected driver availability and schedule disruptions. Added to that was the boosting of truck freight spot rates. Nationwide spot dry van rates were up an average of 22 cents in January which is a 13 percent increase over normal rates.

NY Driver Strike Threat

Owner-operators at the Port of New York and New Jersey called for a strike on February 14 which did not materialize. The proposed strike was meant to draw attention to the nightmarish delays over the past several weeks which has sparked anger and frustration among port truckers. In February, truckers have been repeatedly subjected to wait times of several hours to drop off or pick up cargo at the port. Drivers are paid by the trip and not by the hour so these delays are hurting them economically.

Despite the call for the strike and the attention of trucker frustration at the port, terminals remained busy. The Journal of Commerce reported heavy truck queues both inside and outside port gates. Truck lines reportedly were about 1.25 to 1.5 miles at the APM and Maher terminals.

Strike organizers were not disappointed by the lack of support for the strike and have indicated that their mission was successful because a message was sent to the industry. Strike leaders blamed the lack of support on the weather because drivers had arrived at the port to complete their dispatches from the previous day which had been hampered by snow and ice.

This strike is not related to Teamsters attempts to organize owner-operators.

Panama Canal Work Stoppage Results in Tentative Agreement

On February 5 negotiations between the Panama Canal Authority (ACP) and contractor association Grupo Unidos por el Canal (GUPC) broke down. At issue were $1.6 billion in cost overruns.

The work stoppage was initially scheduled to start in January, however agreements were made to continue with talks with an extension until February 1. The two parties failed to come to an agreement and the February 1 extension failed.

The failure of these negotiations will be felt by Panama and the Panama Canal Authority for many years and could doom the project according to ACP officials. During negotiations production was slowed 25 percent. All activity has now ceased, but on February 28 the Panama Canal Authority and international consortium building the new locks for an expanded canal announced promising news that they reached a tentative agreement.

Both parties will continue to find a definite solution but as of right now the disputes have delayed the opening of the expanded canal until the first quarter of 2016. In the tentative agreement, both sides agreed to co-finance ongoing operations. The ACP and the GUPC said they would each advance $100 million to pay contractors and workers so work can regain normal pace in March, 2014. The tentative agreement is subject to a documentation process which is already underway, and an anticipated signature is considered to be in the near future.

Japan's Exports Surge Even As Domestic Economy Loses Steam

Japan has seen increases in exports to the United States for 13 straight months, with exports soaring 21.9 percent over last year according to preliminary figures released by the Japan Finance Ministry in late February. Japan is now the world's third largest economy trading partner after China. The heaviest increase in U.S. bound shipments was led by autos, motors, and organic compounds. Japan has also seen a sharp rise in imports, led by crude oil, natural gas, electronic parts, and semiconductors. Consumer spending in Japan has been stagnant in the past year, however it is expected to gain steam in the coming year as capital investment has increased from Japan's private sector.

OCEAN FREIGHT

Japanese Carriers NYK Line, MOL, and "K" Line Report Losses

Fiscal year 2013 proved to be a major disappointment for Japanese carriers NYK Line, MOL, and "K" Line. Collectively, the three lines posted a loss of US$144 million in the first three quarters. With freight rates continuing to fall, the three lines predict profitability will not return in the near term.

Japan's Big Three carriers are blaming their poor financial performance on overcapacity in the market and continued delivery of "mega-ships." Each line has attempted to cut costs by slow-steaming and individual operating efficiency improvements, but these efforts have not been able to curtail losses.

Overcapacity continues to depress the market and Asia trade lane rates have dropped overall in 2013. This coupled with record breaking container ship deliveries has caused Japan's Big Three to find alternative means to return to profitability. This will be difficult as the trend is expected to continue through 2016.

Japan's Big Three all predict that freight rates will remain weak throughout the rest of fiscal year 2013.

Asia Import General Rate Increase

All carriers from the Asia to USA trade are announcing a General Rate Increase (GRI) as of March 15 at $240/20', $300/40', $350/40' HC. Check with your Shapiro Representative for details as the amounts can change at a moment's notice.

India Port Projects to Double Capacity

2013 was a troubled year for India Ports. Infrastructure has not kept up with the demand for Indian goods, and labor strife in the major ports caused significant congestion. The issues raised by industry leaders and analysts have apparently been heard as India prepares to invest heavily in port infrastructure development.

India's Cabinet Committee on Economic Affairs (CCEA) has approved proposals for four container terminals in the ports of Kandla, Jawaharlal Nehru Port Trust (JNPT), Ennore and Kolkata, and a fifth project for a multipurpose cargo berth project in Mumbai.

The container port development projects will double the handling capacity of containers. When completed, India's port capacity will increase to 11.6 million TEUs.

Mumbai port will benefit from a new multipurpose cargo berth which will be designed to handle iron and steel project cargo and automobiles. This infrastructure improvement will benefit industries located in inland India.

AIR FREIGHT

Air Cargo Demand Falls on Asia Pacific Lanes

Leading Asian airlines saw their international cargo demand constrict in 2013 despite a recovery period in the 4th quarter. The 4th quarter rally was attributed to increased demand in Europe and the U.S. for Asian products.

The Association of Asia Pacific Airlines posted figures indicating a sharp rise in passenger growth, but a 1 percent decline in international air cargo. This decline occurred during a time of increased capacity in the market.

Projections are positive for the industry, however. Industry members and analysts are forecasting an increase in the 5 to 7 percent range in 2014. The International Air Transport Association (IATA) projects a 2.1 percent growth in 2014 in the Asia-Pacific lane which accounts for 40% of the global market.

DOMESTIC FREIGHT

Congestion and Slow Turn Times at Virginia Port

Drayage truckers who service the Port of Virginia have issued strong complaints concerning congestion and slow turn times at the Hampton Roads container terminals.

Recently, over 50 owner-operators assembled in Norfolk to voice complaints. An independent owner-operator who has been highly frustrated by port waiting time and damaged equipment organized the event. Other truckers in attendance voiced similar complaints including slow service by the longshoremen and chassis shortages. Reportedly the wait time at port terminals drew most complaints. Waits of up to three or four hours are typical.

Some drivers complain that the longshoreman breaks and their telephone conversations are slowing things down. Others have complained about longshoremen's general lack of urgency. In contrast to longshoremen, truck drivers are not paid by the hour.

Independent truckers are prohibited from unionizing, but the truckers felt the need to call for a meeting to voice their issues. The drivers are very frustrated. Owner-operators are demanding fast action as their livelihoods are being threatened

The complaints have been heard and are being addressed. In late February the Virginia Port Authority announced that a task force has been formed to address the issues raised by the truckers. Likewise, Virginia International Terminals agreed to include trucker representation on its committee.

Terminal operators at the Port of Virginia counter the truckers' complaints by stating they too are struggling. Virginia International Terminals complains that increased vessel sizes and carrier alliances dump thousands of containers during a typical call on the port. Further, they state that vessels failing to arrive on schedule causes the congestion which the truckers complain about.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

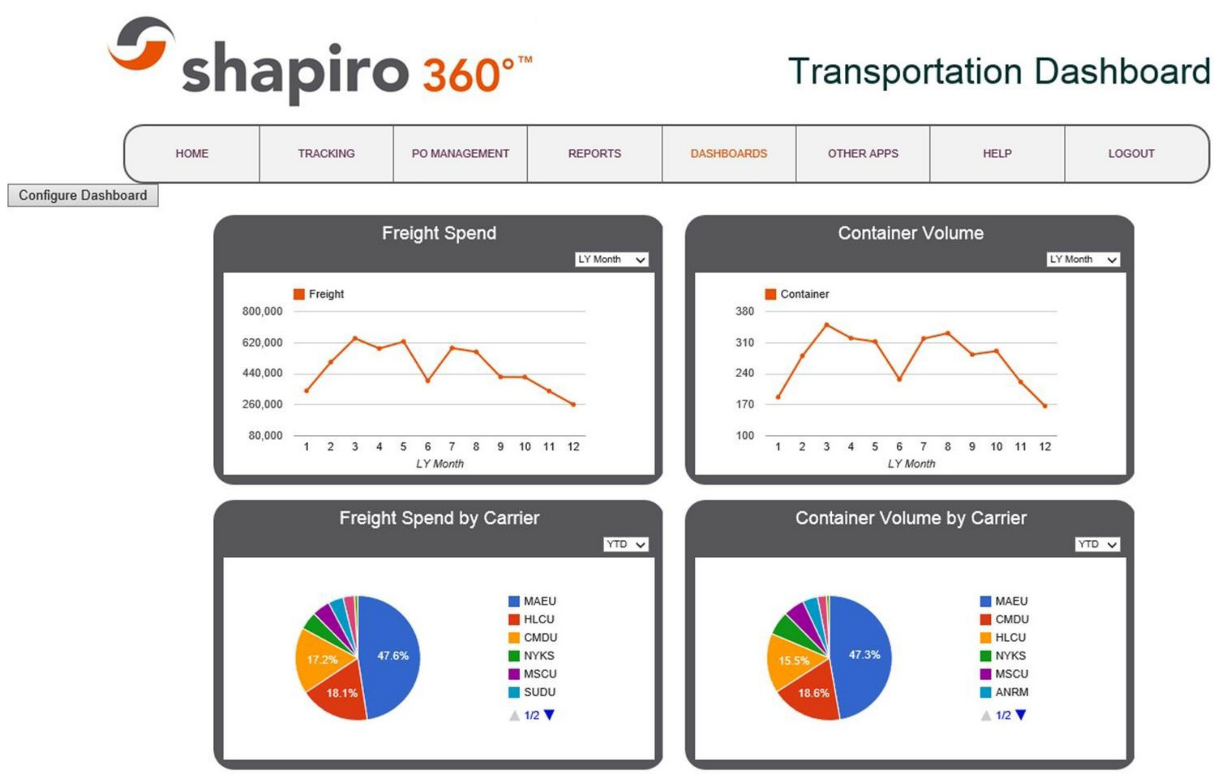
New Shapiro 360 Tracking Launching in Late March/Early April 2014

As mentioned in last month's Shap Talk, Shapiro is pleased to announce that it will be launching a new version of Shapiro 360° tracking by April 2014. Shapiro 360° is our home for purchase order management, cargo tracking, customer reports and dashboards, and all other Shapiro technology applications. The cargo tracking system, which will continue to be a complimentary service to all Shapiro customers, has undergone a major upgrade and this new technology will be made available in a couple of months.

The new Shapiro 360° tracking platform not only has a more modern look and feel, but it also provides multiple new features:

- Improved navigation and speed
- Improved user interface
- Enhanced cargo tracking
- More robust and easier to use customization features
- New transportation and Customs entry dashboards
- Expanded reporting capabilities with Business Intelligence tool integration

Below you will find a preview of our new dashboard screen, which will allow you to view metrics based on your shipment data and activity.



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Shapiro recently contacted current 360° tracking users to obtain information and set up credentials in the new system and will be sending a reminder shortly as well. To ensure the security of your data and to provide more flexibility, the new platform will require each user to have his or her own login. The master authorized user will have the power to determine security levels for other users and to limit access to some of the functionality and reporting. This will allow for a more customized experience for all users. We would appreciate everyone's cooperation in returning the information to us promptly.

In addition, we will be hosting live webinar training events before the launch in order to help you familiarize yourself with the platform. We sent event information to each Shapiro 360° customer with a list of available dates. If you are unable to find a training event that suits your schedule, you will be able to find video tutorials within 360°'s Help menu. Of course, you can always contact your Shapiro representative and schedule a personalized tour of the system.

We are very excited about this major milestone for Shapiro and, more importantly, what it means to you, our customers.

Shapiro Meets with Azerbaijani State Customs Committee to Share C-TPAT Best Practices

Shapiro was invited by the U.S. State Department to meet with Azerbaijani State Customs Committee members on February 10, 2014, to discuss the United States Customs-Trade Partnership Against Terrorism (C-TPAT) program. The Azerbaijani committee included the Deputy Head of Azerbaijan State Customs Committee, Assistant to Deputy Head, Chief of Investigations Section Anti-Smuggling Department, Chief of Astara Customs Anti-Smuggling Department, and Head of Investigations Department, in addition to an interpreter and two representatives from the U.S. Embassy in Baku, the capital and largest city of Azerbaijan.

The U.S. C-TPAT program was launched November of 2001, in the aftermath of the September 11th tragedy. The program's goal is to facilitate the flow of legitimate trade and travel, while preventing terrorists and terrorist weapons from entering the United States. The intense certification process is completely voluntary and provides many added benefits to an importer's supply chain such as reduced cargo examinations, which increases the predictability of lead times and order tracking.

Shapiro's Director of Compliance, Jane Taeger, led the meeting and shared information on C-TPAT's history, membership statistics, benefits, requirements, and certification/validation processes. The goal of the Azerbaijan State Customs Committee was to explore the C-TPAT program as it is considering implementing a similar cargo security program. This is the second time Shapiro has been invited to assist foreign Customs committees; in the fall of 2008, Shapiro met with the Taipei Economic and Cultural Representative Office (TECRO) for a similar meeting. Shapiro is able to offer insight on the C-TPAT program from many different perspectives as it is a certified and validated member of the program as a Customs broker and NVOCC, in addition to being a provider of C-TPAT consultative services, including C-TPAT application and validation assistance, C-TPAT training, and C-TPAT program assessments.

"Shapiro is deeply honored to have been selected by the State Department to share our perspectives on C-TPAT with Azerbaijani Customs," says Taeger. "This exchange of ideas can only help to strengthen global cargo security."

Employee of the Month

As previously featured in Shap Talk, Shapiro has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company. This month, we would like to recognize Alan Hughes, Export Analyst in Atlanta, for his 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.