
# “SHAP” TALK

## April 2011 Issue No. 108

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## TRADE NEWS

**FDA Shipments from Japan**

In light of the earthquake, tsunami, and subsequent nuclear plant emergency, the Food and Drug Administration has taken the following steps to monitor importations of food from Japan.

- On March 22, 2011, FDA issued Import Alert 99-33, "Detention Without Physical Examination of Products from Japan due to Radionuclide Contamination." Import Alert 99-33 indicates detention without physical examination (DWPE) for the specific food products of concern listed that have originated from the prefectures of Fukushima, Gunma, Ibaraki, and Tochigi in Japan.
  http://www.accessdata.fda.gov/cms_ia/importalert_621.html

- FDA will be collecting data on where food products come from

- FDA will be flagging all products from Japan and paying close attention to products from affected areas

- FDA may increase sampling of products from Japan which may pose any health risks

- FDA will develop monitoring strategy which could include increased and targeted sampling at the border

- FDA will be examining both food products labeled as originating in Japan and those transiting through Japan as well as raw ingredients.

- FDA in conjunction with CBP will have increased radiation screening of shipments from Japan

- Japan has halted certain milk, spinach and Kakina exports

FDA continues to update its website with information regarding radiation safety and products from Japan.
http://www.fda.gov/NewsEvents/PublicHealthFocus/ucm247403.htm

**Insufficient Continuous Customs Bonds**

On March 2, 2011, the Revenue Division of U.S. Customs & Border Protection (CBP) published updated information on Customs bonds that have been deemed insufficient. Bonds deemed insufficient by CBP are placed on a hold until the reason for the insufficiency is resolved. As a result, any current import shipments will be disallowed



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under continuous bond clearance and a single entry bond will be required in those instances, which will result in additional costs for the importer.

There are a variety of reasons why an importer's continuous bond may be deemed insufficient including, but not limited to:

- Outstanding debt issues including unpaid Customs bills.
- Use of an invalid, old, or non-deliverable address. *NOTE: The Bond Team will* *immediately* *render any continuous bond insufficient upon receipt of undeliverable mail.*
- Use of an invalid importer of record number on the bond.
- Failure to update a bond to an increased amount as required by CBP.
- Failure to provide surety approval to participate in deferred tax payments.
- Failure to obtain the required bond rider for importations into the U.S. Virgin Islands.

CBP also advised that the continued use of insufficient bonds through the circumvention of ACS/ABI edits by some importers may result in:

- Other continuous bonds used by the principal in combination with its own also being deemed insufficient (for example, a broker's bond for the entry and the principal's bond for the summary). Please note that Samuel Shapiro & Company, Inc. does not permit the use of its entry bond by importers.
- CBP may disallow immediate release of the principal's cargo.
- CBP may void the importer record all together.

Note that bonds can be deemed insufficient by CBP without advance notice, and conversely principals in some cases are allowed 30 days to correct any conditions noted before a bond is rendered insufficient. Once the condition(s) are resolved, CBP will return the bond to sufficient status.

As an importer it is extremely important that your Customs broker be made aware of any conditions that may affect your Customs bond sufficiency, particularly a change of address. Samuel Shapiro & Company, Inc. as your bond provider is fully prepared to aid in the remedy of any conditions that have deemed your bond insufficient.

Please contact your Shapiro Account Representative or our Compliance Department at compliance@shapiro.com if you have any questions about bond insufficiencies, or you require a condition remedy against an insufficient bond.

Policies and procedures for continuous bonds under the Bond Centralization Program can also be viewed on the CBP website by visiting
http://www.cbp.gov/xp/cgov/trade/trade_programs/bonds/pilot_program/



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**Air Security Update from TSA for Inbound Cargo**

In light of recent terrorist attempts on aircraft, the Transportation Security Administration (TSA) is working to meet a statutory mandate of 100% screening of all inbound air cargo to the United States by December 31, 2011. This is two years ahead of the initial date for 100% screening for all inbound cargo. TSA has increased the percentages of cargo that must be screened prior to being loaded onto a passenger aircraft inbound for the U.S. These changes, while not yet requiring 100% levels, are part of the Congressional mandates required under the 9/11 Act. The screening percentages are Sensitive Security Information (SSI), however, the changes apply to all U.S. and foreign flag airlines operating into the U.S.

On March 10, 2011, Thomas Friedman, Branch Chief, IAC Programs at the TSA, issued a non-SSI Air Cargo Security Update to all Indirect Air Carriers (IAC's) advising revised Security Directives and Emergency Amendments were issued to all U.S. aircraft operators, U.S. all-cargo aircraft operators, foreign air carriers, and foreign all-cargo air carriers, which became effective March 10, 2011. These revisions target all shipments inbound to the United States. Each air carrier will be requesting information for all shipments on each master air waybill (MAWB) that they accept for transportation from a *non-U.S. location* to the U.S.

This information includes a specific statement that the aircraft operator will provide to forwarder regarding each shipper. The request will include shipper account history and is necessary for an aircraft operator to determine what security measures they must apply in accordance with their Security Directive or Emergency Amendment. By providing this statement, the forwarder is attesting to the accuracy of the information on behalf of the shipper. Providing this information quickly and accurately to Air Carriers will expedite the screening process.

Visit TSA's website for public information on Air cargo Security Programs: http://www.tsa.gov/what_we_do/layers/aircargo/index.shtm

**Customs Final Rule for Origin Declaration for Textile and Apparel Products**

U.S. Customs and Border Protection (CBP) has issued a final rule adopting the regulations to eliminate the textile declaration and to require the manufacturer identification code (MID) for the actual manufacturer of textile products.

In general, the MID can be reported for either the manufacturer or the shipper. However, for shipments of textiles and wearing apparel, the MID must identify the actual manufacturer. This will better enable Customs to enforce trade in these products by preventing entry into the U.S. with a false country of origin. The actual manufacturer is the party that performs the origin conferring process on the textile. Customs expects importers to use Reasonable Care in attempting to determine the information required to comply with the MID regulation.


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Customs outlined some examples where they would consider pursuing a penalty against the importer.

- An importer says that his agent in Asia does not wish to disclose the name of the manufacturer for fear of being cut out of future business.
- An importer believes it is too difficult to obtain information for the manufacturer of Asian cloth that is used to make bed linens in Europe (the country of origin for sheets is the country where the fabric was formed, not where the sheets were cut and sewn, pursuant to 19 CFR 102.21).

Customs has reduced the number of tariff numbers considered to be "textiles" under the regulations. Under the final rule, textiles will be goods classified in Section XI of the Harmonized Tariff Schedule, and goods classifiable outside of Section XI with a three digit category number assigned to the specific subheading.

The final rule is available at:
http://www.gpo.gov/fdsys/pkg/FR-2011-03-17/pdf/2011-6253.pdf

**Commerce Proposes to Eliminate Revocation of ADD/CVD Orders for Individual Companies**

The International Trade Administration (ITA) of the Department of Commerce has issued a proposed modification to its regulations concerning the revocation of antidumping and countervailing duty orders for individual exporters or producers.

Currently, the regulations allow revocation of an ADD/CVD order in whole, or to partially revoke an order with respect to an individual exporter or producer. The ITA is proposing to eliminate the latter as it pertains to revocations from an ADD/CVD order based on individual exporters or producers having received ADD margins of zero for three consecutive years, or CVD rates of zero for five consecutive years.

Company-specific revocations are not required by law. The Department of Commerce states it spends resources conducting administrative reviews of hundreds of foreign companies with only a small fraction being eligible for a company-specific revocation.

Since the companies would maintain ADD/CVD rates of zero percent, this proposal would not change the amount of duties applied to their entries. The downside is that eligible shipments would still have to be entered as ADD/CVD entries and thus not eligible for remote location filing, and liquidation would continue to be suspended on these entries.

Comments on the proposal are due by April 20, 2011. The notice may be found at:
http://www.gpo.gov/fdsys/pkg/FR-2011-03-21/pdf/2011-6019.pdf


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**Trade Deficit Increases to $46.3 Billion in January**

On March 10, 2011, the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced that January exports of $167.7 billion and imports of $214.1 billion resulted in a goods and services deficit of $46.3 billion, up from $40.3 billion in December, revised.

January exports were $4.4 billion more than December exports of $163.3 billion. January imports were $10.5 billion more than December imports of $203.6 billion.

In January, the goods deficit increased $6.1 billion from December to $59.8 billion, and the services surplus was virtually unchanged at $13.4 billion.

Exports of goods increased $4.0 billion to $120.5 billion, and imports of goods increased $10.1 billion to $180.3 billion. Exports of services increased $0.5 billion to $47.2 billion, and imports of services increased $0.4 billion to $33.8 billion.

The goods and services deficit increased $11.7 billion from January 2010 to January 2011. Exports were up $23.0 billion, or 15.9 percent, and imports were up $34.7 billion, or 19.3 percent.

See the entire release in text or with charts and graphics on the Department of Commerce, Bureau of Economic Analysis (BEA) website at: http://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm
http://www.bea.gov/newsreleases/international/trade/2011/pdf/trad0111_fax.pdf

## EDITORIAL

**It's Official: The U.S. Doesn't Make *Anything* Any More**

Recent Census data for 2010 has confirmed what people have been saying for years. The economy of the United States does not manufacture a single item, and we only sell and deliver food to each other (especially pizzas). This news comes as no surprise to anybody who has been following the wise and sage "musings" of Charlie Sheen over the past weeks.

Okay, I hope I have your attention now.

The fact is that the U.S. emerged as the second largest exporter globally for calendar year 2010. China maintained its position as the world's #1 exporter, and Germany was a close third place. The fact that China and Germany are among the elite export economies is no surprise, but many people are shocked to see the U.S. on the list. It must be agriculture, raw materials, and waste products, right?

Wrong. Yes, total U.S. grain and livestock production is massive. Yes, the U.S. is blessed with an abundance of minerals, lumber, and other raw materials. Yes, the



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U.S. is cursed with an overabundance of scrap and waste products. However, a full 76% of American exports were in manufactured goods. Again, $3 out of every $4 of exports were made in the USA…. not harvested, not mined, and not found at the landfill.

They key to the divide between our perceptions about U.S. manufacturing and the reality is our experience of consumer goods. A great majority of the lower cost everyday living items are no longer made here. A tremendous majority of the clothing and personal adornment items we wear is made overseas as well. So, the things we buy most often and the labels we see ubiquitously in our closets are from other nations.

The truth is that the U.S. still manufactures many, many products which go into finished goods. We share global leadership with Germany in chemicals, plastics, and industrial machinery production, for example. So your plastic lawn furniture may be "made in Viet Nam," but key additives for the plastic, key machines in the production line, and key tools of the trade may well be made in Ohio or Minnesota.

Next time you hear somebody go on and on about how "nothing is made in America," give them the facts and a quick lesson about globalization. If the person takes offense, just blame the Census Bureau.

## TRANSPORTATION UPDATE

**April 2011 Update**

**INDUSTRY NEWS:**

**What's the Latest on the Chassis Chaos?**
At the recently concluded Trans Pacific Maritime Conference (TPM) in Long Beach, almost one third of the presentation time was devoted to the Great Chassis Debate of 2011. The problem? Nobody seems to have any idea how to start the debate.

The steamship industry claims that the cost of purchasing, maintaining, and repositioning chassis for their containers is a losing proposition. They also point out that trucking companies provide chassis for imports and exports globally, except in the USA. After the commercial bloodbath of 2009, carriers have been forced to take a much closer look at every element of their operations, and they feel they must not allow commercial or operational precedent to overrule financial viability. On the surface, this is a logical assertion. However, it begs a pretty obvious and very difficult question: Who will own and control the chassis pools needed for America's international transportation?

At the moment, ocean carriers own about 50% of the U.S. chassis pool. The balance of the equipment is owned by chassis leasing firms, trucking companies, ports, and shippers. During the lively debates at the TPM, there was a stark lack of consensus on the likely dominant stakeholder in the future of U.S. chassis management. In fact,



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many speakers at the conference indicated that the approach to chassis might be different from region to region, from port to port, and from railhead to railhead.

While this writer means no disrespect to the veteran voices at TPM, this sounds like an outlandish nightmare for shippers and importers (and forwarders… and brokers… and truckers… and railroads… and ports… and mankind). One imagines having a 20 page cheat sheet on how to do business at any given shipping or receiving location. Welcome to progress!

Additionally, the steamship lines were very hesitant to commit to any kind of discount in overall rates after resolution of the chassis issue. Again, with all due respect to a truly essential link in the supply chain, if you remove a loss for a given stakeholder, shouldn't that party reduce prices as a token of their deep appreciation to those of us paying their bills? (Yes.)

There was one point for which ALL parties found unity. There is no way that a fundamental and game-changing alteration to the American supply chain can be announced by e-mail! Several carriers announced new chassis policies by e-mails sent from accounts that do not accept return mail. A few of the grayest-haired commentators at the conference indicated that the proposed chassis change is as powerful and fundamental a change to our industry as the advent of containerization itself.

I beg only to make one correction to the wise gentlemen and ladies who make such assertions. There is no proposal on the table at all. We can't estimate the costs, the ripple effects, the changes to logistics designs, or our first thoughts on winners and losers in the Chassis Chaos of 2011 and Beyond without an open and meaningful dialogue. Without the debate, there is no way to craft the right solutions.

Quick footnote: One more thing is certain. The steamship carriers' lenient policies on equipment control and free time will not be carried forward by truckers, ports, and leasing companies. The warehouse on wheels concept will likely fade into memory if the steamship lines dance away from the chassis business.

**Market Outlook for the Trans-Pacific Trade: 2011 "The Year of Inconsistencies"**
Samuel Shapiro & Company, Inc. representatives attended the Transpacific Maritime (TPM) Conference 2011 in Long Beach, CA in early March. The TPM Conference is the largest transportation industry conference attended by many of the top industry experts from the ocean carriers, truckers, port officials, importers, exporters, and government agencies. 2011 is forecasted to be the "year of inconsistencies" as the market is all over the place with both strong and weak sectors pulling at each other. The following topics discussed outline the current status and outlook for the Trans-Pacific Trade for 2011:

*Bunker Fuel Update*
Representatives of OOCL explained that Bunker Fuel was 18% of their operating costs in 2010 as compared to 2004 when Bunker Fuel was 9% of their operating costs.



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Other carriers reported similar numbers, and bunker costs will continue to increase and will affect the negotiation of rates for the new contract season in May. Bunker is now at its highest level since June 2008.

*Capacity Increases Forecasted*
2010 saw the highest growth demand for cargo space over the past ten years as the U.S. economy saw a 4.4% growth in consumer spending. In 2011, carrier space capacity is expected to grow an average of 14% monthly while demand is expected to increase by 8% monthly until Peak Season begins when a 15% growth in demand is expected. This demand in capacity during Peak Season may absorb any excess capacity in the market so the busy Peak Season may prove to be a rough one in 2011. There are several new vessels on order for later 2011 and into 2012 so that carriers can increase their capacity, but several carriers are nervous that the market demand will be too weak to absorb the new vessels coming into the market. Carriers will continue with their slow-steaming practices and this may absorb new capacity. Over 50% of vessels in the Trans-Pacific trade to the west coast are slow steaming and 80% of cargo the U.S. east coast are slow steaming today.

*Equipment Shortage Hampers Exports and Rate Increases Expected*
One of the biggest problems in the Trans-Pacific market is the current container equipment shortage in the marketplace. The rate of growth of new production of containers is lagging well behind ship capacity being brought into the market. So now that there are more vessels, there is not enough equipment available to fill the vessels, which is hitting the export market particularly hard. The export of grain and other agricultural products is hampered as Midwest locations are running completely out of containers, and exporters often wait weeks for enough equipment to ship their orders. Exporters of agricultural goods have resorted to using bulk vessel carriers instead of containers. Container utilization levels are expected to reach 95% in 2011 which will drive rates up, particularly with exports. Carriers are now reporting that export rate levels are at unsustainable (low) levels and they will be increasing rates in 2011. In 2010 about 40-50% of export rates broke even or made a profit; the balance was unprofitable according to the steamship lines.

*West Coast Labor Issues and Panama Canal Expansion*
West Coast truckers are alarmed at the shortage of truckers and potential truckers, particularly in the Los Angeles market. Truckers are struggling to remain competitive in a highly regulated industry and they feel their hands are tied when it comes to remaining in an industry that would attract newcomers to the business. The shortage of laborers on the West Coast could be potentially offset by the expansion of the Panama Canal which would bring more business to the U.S. east coast ports as larger vessels would be allowed to ship all water to the east coast. Importers and exporters that would normally use rail services via the U.S. west coast will be more likely to choose the east coast ports instead.


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## OCEAN FREIGHT:

### GRI Announced for the Transatlantic Trade for April

Steamship lines in the transatlantic trade have announced a General Rate Increase (GRI) for Imports from North Europe ranging from $150 to $320 per 20' and $250 to $400 per 40' starting April 1. The carriers have announced a similar GRI for exports to Europe although the export market to Europe has been weakening and some of the carriers are announcing that they will waive the GRI for Exports.

MSC has announced that they will impose a GRI starting April 1 from Turkey, Greece, Romania, Bulgaria, Georgia, Russia (Novorossiysk), Ukraine, Egypt, Lebanon, Syria, and Cyprus ports to all U.S. ports at $205 per TEU ($410/40') to USEC and Gulf Coast ports and $292 per TEU ($584/40') to USWC ports. MSC also announced a GRI to/from the Mediterranean ports in Italy, Spain, France, Israel, and Portugal to/from U.S. of $200/20' and $300/40'. A $100 Emergency Fuel Surcharge is also being added for shipments from the Mediterranean ports to USA ports.

### Tentative GRI and Peak Season Surcharge (PSS) announced for the Transpacific Trade

The TSA Carriers are looking ahead and they have announced a May 1 GRI of $480/20', $600/40', and $675/40'HC for shipments from Asia ports to USEC and inland rail ports, and $320/20', $400/40', and $450/40'HC to USWC ports. The carriers also announced a June 15 PSS of $320/20', $400/40', and $450/40'HC for Asia shipments to USWC/USEC/ inland rail ports. Also announced is a BAF increase over March levels of an additional $80/20', $100/40', $113/40'HC, $126/45' to USWC and inland rail points, and an additional $121/20', $152/40', $171/40'HC, $192/45' to USEC over March levels as of April 1 through the end of April.

### India Port Strike Looms

All port and dock workers in India have announced a one day strike on April 6 for all ports in India to protest because the Shipping Ministry has not implemented several Union demands that were agreed upon previously.

## AIRFREIGHT:

### Air Rates to Japan Rise as Cargo Space Becomes Rare

Air freight rates are rising for shipments from Japan to the U.S. due to limited capacity caused by the cutback on passenger flights out of Japan in the wake of the recent disasters there. Carriers are forced to carry extra fuel in their tanks to fly to Japan to avoid using fuel supplies in Japan's major airports because fuel is so desperately needed within the country to deal with the relief efforts there. This means that the airlines cannot carry as much cargo. Export shipments from the U.S. are being squeezed out by cargo being carried for the relief efforts in Japan. The upcoming issue for freight forwarders and customers is whether the current lack of capacity could quickly turn to a lack of cargo coming out of Japan if Japanese factories cannot return soon to normal operations. Power and fuel are major problems in Japan. Many



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businesses and factories are facing rolling blackouts, and some will be shut down for weeks or months.

**DOMESTIC/TRUCKING:**

**Trucking Capacity Tightens in the U.S.**
Winter weather in the U.S. coupled with stronger demands has put pressure on the trucking capacity in early 2011. Trucking companies report that they are running at 80 percent of total capacity as we enter April as compared to about 55 percent capacity at the end of 2010. This tight capacity is expected to continue through the rest of 2011, particularly in Southern California.

## SAMUEL SHAPIRO & COMPANY, INC. NEWS

**Employee of the Month**

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company. This month, we would like to recognize Jessica Roca, Dulles 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.


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