"SHAP" TALK
January 2011 Issue No. 105

In this issue:

TRADE NEWS

GSP to Expire 12/31/10

The Omnibus Trade Act of 2010, H.R. 6517, passed the House, but an amended version was passed by the House and Senate on December 22, 2010 without the extension of GSP. GSP will expire on December 31, 2010. The Andean Trade Preferences Act/Andean Trade Promotion and Drug Eradication Act (ATPA/ATPDEA) has been extended for only six weeks through February 12, 2011. According to the U.S. Trade Representative, the Obama administration will work with Congress for a long-term reauthorization of GSP and ATPA/ATPDEA. In the meantime, once the programs expire, duties will need to be paid on the affected goods. In the past, retroactive treatment has been granted when GSP was renewed and refunds were issued. We cannot say if this will be the case this time, but entries will be flagged in the event GSP is reauthorized retroactively.

Changes to the 2011 Harmonized Tariff

The 2011 version of the Harmonized Tariff Schedules of the United States (HTSUS or HTS) contains several changes, many as a result of a request from the Consumer Product Safety Commission (CPSC). Changes are also being made to identify certain organic foods. The changes made are new statistical breakouts.

The headings affected by the CPSC are:

- 3924 – tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics
- 4421 – other articles of wood
- 6809 – articles of plaster or of compositions based on plaster; boards, sheets, panels, tiles and similar articles, not ornamented
- 7323 – table, kitchen or other household articles and parts thereof, of iron or steel; iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, or iron or steel
- 8703 – motors cars and other motor vehicles principally designed ofr the transport of persons (other than those of heading 8702), including station wagons and racing cars
- 9401 – seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof
- 9403 – other furniture and parts thereof
- 9404 – mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdown, cushions, bouffes and pillows) fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered
- 9503 – tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages' dolls, other toys' reduced-scale ("scale") models and similar recreational models, working or not; puzzles of all kinds; parts and accessories thereof

The headings affected by the organic designation are:

- 0701 – potatoes, fresh or chilled
- 0702 – tomatoes, fresh or chilled
- 0703 – onion, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled
- 0704 – cabbages, cauliflower, kohlrabi, kale and similar edible brassicas, fresh or chilled
- 0705 – lettuce (lactuca sativa) and chicory (cichorium spp.), fresh or chilled
- 0706 – carrots, turnips, salad beets (salad beetroot), salsify, celeriac, radishes and similar edible roots, freight or chilled
- 0709 – other vegetables, fresh or chilled
- 0804 – dates, figs, pineapples
- 0805 – citrus fruit, fresh or dried
- 0806 – grapes, fresh or dried
- 0808 – apples, pears and quinces fresh
- 0809 – apricots, cherries, peaches (including nectarines), plums (including prune plums) and sloes, fresh
- 0810 – other fruit, fresh
- 0901 – coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion
- 0902 – tea, whether or not flavored
- 1001 – wheat and meslin
- 1006 – rice
- 1201 - soybeans
- 2103 – sauces and preparations therefore; mixed condiments (for ketchup)

Additional changes have been made for:

- 0401 – milk solids content
- 2401 – threshed or similarly processed tobacco
- 2701 – sub-bituminous coal
- 4909 – greeting cards
- 7222 – re-melted stainless steel bars
- 7308 – steel wind towers
- 8202 – diamond sawblades
- 9403 – reinforced steel wire mesh decking (effective November 1, 2010)

The online HTS is available at http://www.usitc.gov/tata/hts/

Security Declaration Required for Shipments to the EU Effective 1/1/2011

Carriers will be applying a documentation surcharge due to the "EU 24 hour rule." (See the Transportation Update below) This is a reminder that the effective date of this legislation is January 1, 2011. Please see the September and December 2010 issues of Shap Talk for detailed information.

The EU legislation requires all goods brought into the customs territory of the European Union, regardless of final destination, shall be covered by an Entry Summary Declaration (ENS), which should be lodged at the customs office of first entry, i.e. the first intended port of call within the customs territory of the EU. This means that all cargo, whether or not consigned to the EU, must be declared, including freight remaining on board (FROB).

Carriers are the responsible party for filing this information, and more than likely the freight forwarder will obtain this information from the exporter and provide it to the carrier on all export shipments to the EU and those transiting the EU. This may mean an earlier cut off for carriers to be certain that all of the information is at hand for the filing. Charges for the filing will be passed on the exporter.

For a list of Frequently Asked Questions, please refer to the Europa website at: http://ec.europa.eu/ecip/documents/procedures/import_faq_en.pdf

USDA Proposes Rule to Remove Canadian Wood Packaging Materials Exemption

Wood packaging materials (WPM) include pallets, boxes, crates, and wood pieces that are used to brace or support imported cargo. Under current United States Department of Agriculture (USDA) regulations importations of such materials from Canada to the U.S. are exempted from the treatment and marking requirements which are required for these materials from all other countries.

The requirements include either heat treatment or fumigation with methyl bromide and the marking of all treated materials with approved symbols and control numbers.

The purpose of the regulation is to prevent certain plant pests and diseases which pose a threat to U.S. agriculture and forests from entering the U.S. via transport on said materials.

The USDA states that the variety of low grade woods used in WPM, and the practice that the woods are often fresh cut and not sufficiently treated or processed for pests makes the materials more susceptible to wood pests and diseases. WPM is also often reused and recycled which hinders a country of origin identification, and therefore the determination of phytosanitary treatment status.

The WPM exemption on Canadian products is based on an assumption that because the U.S. and Canada share a border and a common forest boundary, plant pests and diseases would be common or alike in both countries. The USDA conducted a pest risk analysis and concluded that the assumption is mostly true, but there are some pests present that are unique to Canadian forests and these pests could potentially threaten U.S. forestry.

At present, the USDA and the Canadian Food Inspection Agency, are working together to develop a plan which would allow the removal of the exemption for both countries.

USDA proposes that the regulations be amended to require WPM from Canada to meet the standards and conditions set for all other WPM from all other countries.

The USDA is accepting comments on the proposed rule through January 31, 2011. Instructions for submitting comments and additional information on the proposed rule can be viewed by visiting the USDA website at www.usda.gov or by reviewing the Federal Register Notice, dated December 2, 2010 at www.gpoaccess.gov/fr or www.nara.gov.

Weekly Teleconference with Assistant Secretary for Export Administration

Each Wednesday through February 2, 2011 from 2:00 pm - 4:00 pm EST, Assistant Secretary Kevin Wolf will be available by teleconference to answer your questions related to Export Control reform, particularly the two Commerce notices mentioned below in the background section of this article. All questions must be submitted in advance to the Commerce Department in writing via email to oesdseminar@bis.doc.gov.

To participate in these free conference calls, which are limited to the first 100 people per session, you may dial in at 866-917-2713, Participant Code: 4136642. Callers should dial in 10 minutes early. No reservations are required.

Background:
On December 9, 2010, the Department of Commerce published two proposed rules in the Federal Register. The first is a proposed regulation that would create a new license exception authorizing the unlicensed export, with conditions, to (a) a group of 37 allied and partner countries of most items on the Commerce Control List, and (b) a larger group of countries of less sensitive, "basic list" items for civil end uses. The proposed exception would impose new requirements to provide safeguards against possible unauthorized re-exports, including notification, destination control statement and consignee certifications.

The second is an Advanced Notice of Proposed Rulemaking requesting public comment on (a) how to make the list of items controlled more clear and "positive," and (b) the availability of controlled items outside of the United States and the group of 37 countries.

The Commerce Department encourages persons to review the notices closely and to provide comments by the February 7, 2011 deadline. Details about the President's Export Control Reform Initiative and these rules are available at http://www.export.gov/ecr/.

C-TPAT Annual Security Profile Review

The obligation of a member of the Customs-Trade Partnership Against Terrorism (C-TPAT) program does not end with the validation report. When joining C-TPAT, members must sign an Agreement to Voluntarily Participate which includes an agreement to notify Customs of any changes or modifications to company information, as well as an agreement to maintain the security profile through periodic self-assessment.

U.S. Customs and Border Protection (CBP) has recently notified C-TPAT members with a reminder to conduct the annual self-assessment, now called the Annual Security Profile Review. CBP has published an FAQ document for the annual review and has posted a powerpoint presentation with information on performing the review.

Customs will now send an alert to C-TPAT members when the review is due. Participants will have 90 days to complete the process through the C-TPAT web portal. Most critical is advising Customs of changes in C-TPAT contacts within the company, as well as changes to the company name, IRS number, and bond number. Companies should notify their Supply Chain Security Specialist directly of such changes when they happen, not just during the annual review. Customs recommends having at least two or more C-TPAT contacts in a company in the event the primary point of contact leaves the company or is otherwise unable to access the portal.

Failure to complete the annual security profile review could affect a company's status in the C-TPAT program. Even if there have been no changes, C-TPAT members must still conduct the annual review. Should a company have changes or updates to the security profile, the information should be appended to the existing information on the portal. Customs instructs that old information should not be deleted and replaced with the new information.

The FAQ's may be found at
http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/ctpat/sec_profile/chain.ctt/chain.doc

The annual review instructions may be found at
http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/ctpat/sec_profile/trade.ctt/trade.pdf

TRANSPORTATION UPDATE

January 2011 Update

INDUSTRY NEWS:

New Rules Sought to Remedy the Problem of Overweight Containers
On December 1, 2010, the World Shipping Council and the International Chamber of Shipping urged the International Maritime Organization (IMO) to enact an international law that would require all containers to be weighed at the port of export before they are stowed upon a vessel. This comes at a time when there is growing concern in the industry and with the general public after multiple incidents involving overweight containers.

Carriers have reported that it is common for cargo weight to be between 3 and 7 percent higher than the actual declared weight of all containers loaded on each ship. The problems that occur include: Incorrect vessel stowage decisions; Collapsed container stacks; Containers lost overboard; Liability for accidents, fines and subsequent claims; Chassis Damage; Damage to vessels; Risk of personal injury; Overloaded vessels resulting in cargo space shortages preventing customers from securing bookings; Lost revenue and service delays; Draft issues and fuel overcharges.

Carriers urge shippers to "never load by weight above the payload limits of the container and never load by weight above the road regulations applicable on the transit. Distribute the weight of the cargo evenly over the floor of the container. Never stow heavy items in one section and light items in another…."

Currently the United States has regulations through OSHA requiring every export container loaded to be weighed by the terminal before loading the container onboard the vessel so that the reported weight can be verified by the carrier. The problem is other countries do not have the same regulations. In fact, the nations that actually do have such regulations are in the minority. The World Shipping Council is working towards having an agreement at the IMO's Maritime Safety Meeting in May 2011.

Slack Season Not So Slack
Demand for space on eastbound vessels from Asia to U.S. ports is preventing carriers from decreasing capacity in the trade, and carriers and importers are now preparing for a new kind of peak season.

December is traditionally a time when carriers in the eastbound Pacific trade suspend services and lower their freight rates for the winter slack season. This year has been anything but traditional and the usual trends have been bucked. Carriers are keeping capacity in place and they have announced a new peak season surcharge (PSS) to take effect on January 1, 2011.

Even though carriers do project a pullback in volumes ahead of the February 3rd Chinese New Year celebration, many industry leaders expect carriers to implement only a select few capacity cuts for several weeks until volumes pick up again in March 2011. Some carriers and business executives do project that there will be a mini-spike in cargo volumes in late December through the month of January even though every carrier has announced the PSS for January to prepare for the demand of cargo to load prior to Chinese New Year. The carriers are generally imposing a $400/40' GRI on January 1st but some are imposing a $600/40' GRI.

Carriers are shying away from capacity cuts that caused rates to soar in early 2010 because they want to avoid the scrutiny that their capacity-slashing actions attracted from the Federal Maritime Commission (FMC) last year.

For shippers, the decision by most carriers to keep vessels deployed means they are unlikely to face the ocean capacity headaches that they experienced in early 2009; however the strong demand in the market could put stress on rail capacity. Also, shippers and importers have to keep in mind that the top three carriers (Maersk, MSC, and CMA CGM) have given notices that they are resolved to keep prices moving up.

Retailers have reported a strong holiday shopping season in 2010 that rivals that of 2007, which was a record year. Rate increases have allowed the carriers to transform from a collective loss of $15 billion in 2009 to earn about $13 billion in 2010.

Exports Increase 3.2 Percent to a Two-Year High

Exports from the United States jumped 3.2 percent in October 2011 to a two-year high while driving the U.S. trade deficit down by 13 percent as imports declined slightly. President Obama said that the U.S. is "on track to meet" his goal of doubling exports in five years and he noted that his administration is taking the necessary steps to keep the trend going.

The weak dollar and growing overseas demand is the cause of the surge. China and Mexico both bought record amounts of U.S. goods and services. Export growth in October was led by industrial supplies and materials, foods, feeds, beverages, autos, parts and engines, and capital goods. Emerging markets are demanding more and more goods from the United States. Economists are expecting exports to grow faster than imports as the global economy recovers.

OCEAN FREIGHT:

Horizon Lines Starts New Exclusive China to U.S. Service

The U.S. Flag Carrier Horizon Lines began its new round trip Five Star Express service from Ningbo and Shanghai via Guam to Los Angeles and Oakland this month. The 2,824-TEU Horizon Hawk called Ningbo on December 13th and Shanghai on December 15th and arrived in Los Angeles on December 25th before continuing to Oakland and then to Guam and China. The new service advertises a very quick 11-day transit from Shanghai to Los Angeles with Monday morning cargo availability each week. Since the transit time is so quick, Horizon Lines is targeting higher-value cargo to the United States on this service. The expanded service will improve its existing service to Guam to supply the growing military presence there.

In addition to the new service, Horizon has launched intermodal services to inland U.S. Cities with 15 days to Kansas City and 16 days to Dallas, TX from Shanghai. Express service will also be available to Chicago, Memphis, Atlanta, and Charlotte using on-dock rail connections to avoid any drayage fees on the West Coast.

European Union 24 Hour Manifest rule and Correction Fee
Effective sailings midnight December 31, 2010, ocean carriers will apply a documentation surcharge due to the 24 hour advanced manifest rule imposed by the 27 EU member states to apply to all shipments to the EU and any shipment that will transship via the EU (see above for another article regarding the EU security filing). The ENS documentation fee will be $7 per B/L for LCL shipments and $40 per shipment for any corrections required after the manifest has already been reported by the carrier's deadline.

MSC Raises Panama Canal Surcharge and Adds Carrier Security Fee and GRI
MSC is increasing its Panama Canal Surcharge as of December 15th from the current $175 per TEU to $200 per TEU. This higher rate is due to "recent increases in the Panama Canal Tariff," according to MSC.

MSC has also implemented a Carrier Security Fee (CSF) of $8 per container for all cargoes loading after December 31, 2010. This fee is a result of an increase in costs that MSC incurred to up-grade the security of the vessels, cargo, and to protect the crew. The Fee is applicable at origin, and can be manifested as prepaid, collect, and/or payable elsewhere, however it will always be in line with freight payment type. This is in addition to the ISPS charges that cover the cost of security at the terminals.

MSC also announced a GRI from Asia ports to U.S. ports as of January 1, 2011 at $480/20', $600/40', and $675/40'HC to USWC ports and $640/20', $800/40', and $900/40'HC to USEC ports. This is subject to change but will not be confirmed until 1/1/2011.

New Peak Season Surcharges Announced for January 1, 2011 and BAF Raises on the Same Date
All carriers in the Asia to U.S. trade with the exception of MOL (whose rates were already inflated in comparison to the rest of the market) have announced a PSS starting at $320/20', $400/40', $450/40'HC. Some carriers such as COSCO and China Shipping will have a higher PSS to the USEC ports of $360/20', $600/40', and $675/40'HC. The PSS is still to be confirmed on 1/1/2011 so please confirm this with your Shapiro representative at the New Year. Carriers have increased their BAF slightly as of January 1st as well and each carrier has its own BAF level.

Hamburg Sud Announces GRI as of January 15, 2011
Hamburg Sud announced a January 15, 2011 GRI to be implemented on all cargo from the United States East and Gulf Coasts to the West Coast of South America at $250/20' and $400/20'.

AIRFREIGHT:

Air Cargo Showing Growth in 2010 but May Lose Steam in 2011

The International Air Transport Association (IATA) is predicting that the rebound in air cargo traffic that occurred in 2010 will continue into 2011 although at a slower pace. Airfreight volumes grew by 24 percent in the first 10 months of 2010 compared to the same period last year. The booming economies of Asia and other emerging economies in Latin America have fueled the growth in volumes but this surge is expected to slow in 2011.

Airfreight price indexes are showing that air cargo prices jumped 6.2 percent in October using Shanghai spot rates to the rest of the world as a benchmark. International airfreight volumes grew 14.4 percent in October over the same month a year ago and air capacity grew only 11.1 percent year-over-year in the same month causing higher demand than space allowed for.

Hong Kong Sets Air Cargo Tonnage Record

Hong Kong International Airport set a month record for cargo tonnage in October which beat the previous high set three years ago. The world's largest international freight airport grew 15.5 percent over October 2009 and by 7.8 percent from September to October, which is in sharp contrast to the several months of regular flat month-to-month cargo business.

Carriers provided more capacity to handle the Asia export surge. Freighter flights grew 35.5 percent over October 2009 and 3.5 percent ahead of September levels.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro 360 Quick Tip – Accessing Lengthy Notes in Shipment Events

Ever notice that your account coordinator is very thorough and puts detailed notes into the shipment events section of Shapiro 360? In the past it was difficult to view the complete text of lengthy notes. A recently added feature makes reading lengthy notes a snap. In the shipment event section the date of each note now shows as a hyperlink. By clicking on this hyperlink you can now access the full text of the note in a user-friendly readable and printable format. Enjoy the new feature and look forward to other tips in future Shap Talk issues.

Shapiro Named Supply Chain Partner of the Year by Floor & Décor Outlets

Samuel Shapiro & Company, Inc. is proud to announce it has been chosen as the Supply Chain Vendor of 2010 by one of its largest customers, Floor & Décor Outlets of America.

Floor & Décor was first launched in 2001 with a single outlet in Atlanta, Georgia, and is a leading retail provider of hard flooring products. The company now boasts more than two dozen retail locations in the United States. Floor & Décor began working with Shapiro in 2003 and, due to its rapid expansion and strong success, quickly became one of Shapiro's top clients.

The second annual Supply Chain event took place in November in New Orleans with approximately 120 employees and partners in attendance. Margie Shapiro, Samuel Shapiro & Company, Inc. President and CEO, and Angela Czajkowski, National Accounts Team Manager, represented Shapiro at the ceremony. "Shapiro is humbled by this award. We realized early on that we had to reevaluate our procedures in order to best service this account. The teams at Floor and Décor and Samuel Shapiro & Company collaborated intensively to accomplish this," noted Shapiro. "This relationship has brought a clearer picture to us of true customer-forwarder partnership, and of serving as an 'extension' of a customer's business."

Floor & Décor is serviced by Shapiro's National Accounts Group with a dedicated staff whose sole responsibility is to manage the importer's large international supply chain, including upstream PO management, international transportation, Customs clearance, and domestic delivery to each one of its twenty five stores.

Shapiro Employees Volunteer at the Maryland Food Bank

One of Samuel Shapiro & Company, Inc.'s stated corporate values is, "Have a strong sense of social responsibility, contributing positively to our communities in which we live." On December 6, 2010, Shapiro employees gathered to volunteer at the Maryland Food Bank and do their part in the fight against hunger in the state of Maryland. The Maryland Food Bank, an affiliate of Feeding America, was founded in 1979 to coordinate the procurement and distribution of food donations from manufacturers, wholesalers, retailers and government agencies to organizations providing free food to people in need.

The corporate initiative was spearheaded by Janell Rotella, Accounting Manager for Samuel Shapiro & Company, Inc. In addition to making a financial contribution, 103 pounds of food were donated and four Shapiro employees volunteered on company time preparing food and placing them in vacuum-sealed bags for the needy.

Last year, the Maryland Food Bank distributed more than 18.6 million pounds of food to hungry Marylanders across the state. The mission of the organization is "to lead the movement and nurture the belief that together we can improve the lives of Marylanders by ending hunger." The organization heavily counts on volunteers to make its mission a reality. "Not only was it rewarding giving back, but we also had the opportunity to learn about the different ways the Maryland Food Bank contributes to the community," noted Dottie Reed, Maryland Food Bank volunteer and Customer Service Representative for Samuel Shapiro & Company, Inc. "They do a remarkable job in helping people in need and I was grateful to share this experience with my Shapiro colleagues."

For more information on the Maryland Food Bank or to make a donation, visit their website at http://www.mdfoodbank.org.

Samuel Shapiro & Company, Inc. has a matching charitable gift program for donations made by employees. Thousands of dollars have been matched over the years through this generous program.

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 Perijo Bennett, Inside Sales Manager, 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.