Samuel Shapiro & Company, Inc.

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"SHAP" TALK

October 2012 Issue No. 126

In this issue:

TRADE NEWS

REMINDER: Food Facility Registration Renewal Required Starting October 1st

The Food Safety Modernization Act (FSMA) requires that food facility registrations be renewed in each even-numbered year. The registration renewal process for 2012 begins October 1st. Registration renewal must be completed by December 31st.

Registrants will use Form 3537 to register, update, or renew a registration. Facilities may register online at www.fda.gov/furls. Alternatively, facilities may register by mail or fax. FDA does not charge a fee to register a facility.

Registration by Paper (Mail or FAX) or CD-ROM
Step by Step Instructions

FDA encourages online registration as the most efficient means for food facility registration. After all required information has been entered, the registrant will receive confirmation of registration and a registration number.

Importers – be sure your foreign suppliers are aware of the requirement to renew their registrations.

Foreign facilities must designate a U.S. agent in their registration. Under the Bioterrorism Act, the U.S. agent served merely as a point of contact for FDA. Now under FSMA, the U.S. agent will be the party liable for foreign facility re-inspection fees.

If you are not sure if you have been designated as a U.S. agent, or if you would like to have your name removed as a U.S. agent, you may contact FDA at FURLS@FDA.gov.

Further information on food facility registration may be found on the FDA website at: http://www.fda.gov/Food/FoodSafety/FSMA/ucm314178.htm?source=govdelivery

Brazil's Tariff Increases for Certain Products from the U.S.

Brazil has designated the first 100 products for tariff increases on products from the U.S. The increase is scheduled to take effect on September 25, 2012. Brazil's Chamber of Commerce (Camex) plans to conclude this list in October, reaching the 200 allowed items for increased tariffs on products from the U.S. Many of the increases planned are set at a duty rate of 25%.

U.S. Trade Representative Ron Kirk urged Brazil to reconsider plans for the tariff increases in a strongly worded letter to Foreign Minister Antonio de Aguiar Patriota. Brazil's moves to raise import tariffs repeatedly over the past year "clearly represent protectionist measures," Kirk said. Brazil's Patriota responded and emphasized that the measures were "legitimate instruments" under World Trade Organization (WTO) rules, and that Brazil is faced with "a flood of imported goods at artificially low prices" due to U.S. monetary policy.

We hope that the U.S. and Brazil can reach some sort of compromise with the tariff increases, but in the meantime, U.S. exporters must be aware of the potential effect these tariff increases will play on imports into Brazil.

Exports Increase Almost 40% in U.S. Metro Areas

The U.S. Department of Commerce has recently announced that merchandise exports from its 367 metropolitan areas have increased nearly 40 percent since 2009. 308 of the 367 metro areas have recorded positive growth in exports and 36 of those areas have increased their exports by $1 billion or more between 2010 and 2011 alone.

Much of the Export growth has come from exports of transportation equipment, chemicals, computer and electronic components, petroleum and coal products, and primary metal manufacturing. Exports out of the U.S. totaled $2.171 trillion from August 2011 to July 2012, which is 37.5 percent above the 2009 levels so that significant progress in Obama's initiative to double exports by 2014 is well under way.

The nations with the largest increase of U.S. goods purchased since 2009 are Panama (36.3 percent), Turkey (28.6 percent), Chile (27.6 percent), Argentina (27.5 percent), Hong Kong (26.9 percent), Russia (26.5 percent), Peru (25.4 percent), UAE (21.8 percent), Ecuador (21.7 percent), Brazil (21.6 percent), and Mexico (21.6 percent).

FDA's New Office of Enforcement and Import Operations

The Food & Drug Administration (FDA) announced on September 10th via a fact sheet published by its Office of Regulatory Affairs (ORA) that it plans to reorganize the structure of the ORA due to transformation requirements as a result of modernization and globalization of the products it regulates, and its new legislative authorities. It is hoped that the planned reorganization will provide increased partnerships with officials at federal, state, and local levels as well as relationships with foreign officials, will help boost supply chain oversight, and expand inspection authorities.

The reorganization of FDA's ORA will provide for the creation of a new Office of Enforcement and Import Operations (OEIO) which will combine the functions of the current Office of Enforcement with the Division of Import Operations and Policy. The OEIO will also centralize the functions of the Division of Compliance Management Operations, and the Division of Compliance Information and Quality Assurance. The OEIO will be governed by a new Office of Operations which will report to the office of the Associate Commissioner for Regulatory Affairs. The new Office of Operations will be led by a new Assistant Commissioner of Operations.

The newly established offices will be responsible for implementing new programs such as the Foreign Supplier Verification Program, and consolidating domestic enforcement programs including the recall process.

The reorganization also provides for the creation of two additional offices, the Office of Food and Feed Operations and the Office of Medical Products and Tobacco Operations.

All three new offices will be supported by the Office of Regulatory Science, which will replace the services provided by the current Division of Field Science. This office will employ specialists in the food, feed, tobacco, and medical commodities.

Finally the reorganization will create a new Office of Policy and Risk Management, which will include ORA Headquarters staff who specialize in each division including operations, policy, risk management, and data evaluation.

Trade in Goods and Services July 2012

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced on September 11th that the nation's international trade balance in goods and services worsened to -$42.0 billion in July from -$41.9 billion in June (revised), as exports decreased more than imports. Exports decreased to $183.3 billion in July from $185.2 billion in June (revised). Imports decreased to $225.3 billion in July from $227.1 billion in June (revised).

To view all of the goods and services comparisons, go to the Bureau of Economic Analysis website and view the trade release information and graphics in its entirety.

TRANSPORTATION UPDATE

Do I Really Need Cargo Insurance?

A home is the largest purchase most of us will make in our lifetime. We protect our investment by having homeowner's insurance. So while we wouldn't dream of not insuring our home, many shippers fail to insure their cargo. While the average home price in the U.S. is around $200,000, companies ship goods far in excess of this value without insurance. If you have never had a loss with your cargo, then consider yourself lucky. 35% of losses in transit are unavoidable due to the rigors of transportation such as shifting, bad weather, and mishandling.

If you have purchased your goods on a CIF or CIP basis and think you are covered, you should know that the default under Incoterms is minimal insurance coverage. For example, the seller is not obligated to cover War Risks. Some countries only provide "FPA" (free of particular average) coverage that would only cover loss due to specific perils such as a loss due to a sinking or stranded vessel. CIF terms in China only require FPA insurance. So if you are purchasing goods from China under CIF, you may have limited coverage in the event of a loss.

Insurance is not door to door for CIF and may not be for CIP. CIF terms are to the named port. If the trucker has an accident after picking up the container from the pier, the insurance under CIF terms will not cover any damage and the buyer will be responsible.

Moreover, if there were a claim, the buyer would be dealing with an overseas insurance agency. It may be hard to collect when dealing with an overseas insurance company, particularly if there is a language barrier.

You need to protect your company's investment in its cargo. Cargo can be lost, stolen, damaged, mishandled, or involved in a collision. Cargo insurance will protect your financial interests while your cargo is exposed to transit risks, and is an essential component of your supply chain transaction. An uninsured cargo loss can mean lost customers. As your transportation provider, Samuel Shapiro & Company, Inc. offers highly competitive cargo insurance rates. In the event of a loss, we handle the claim for you. Please contact us at insurancerates@shapiro.com for further information or for a quotation.

Author's note: I highly recommend the book "Moby Duck" by Donovan Hohn. It tells the tale of a container full of rubber bath toys that is washed overboard in the Pacific Ocean. The book is often humorous, but also startling with its statistics of cargo lost at sea as well as the environmental impact of plastics and debris in our oceans.

October 2012 Update

INDUSTRY NEWS:

ILA/USMX Agree to Extend Contract Deadline until December 29, 2011

On September 20th, the Federal Mediation and Conciliation Service (FMCS) announced that the International Longshoremen's Association (ILA) and United States Maritime Alliance (USMX) agreed to a 90-day contract extension (through December 29, 2012), preventing the strike at the end of September.

The extension was reached after two days of negotiations under the guidance of a federal mediator. "In taking this significant step, the parties emphasized that they are doing so 'for the good of the country' to avoid any interruption in interstate commerce," noted George H. Cohen, Director of the Federal Mediation and Conciliation Service. "This extension will provide the parties an opportunity to focus on the outstanding core issues in a deliberate manner apart from the pressure of an immediate deadline."

Negotiations on the ILA-USMX master contract will be conducted during the same time frame as negotiations for local agreements, under control of the FMCS.

The Threat of ILA Labor Strike Causes West Coast Capacity Problem
The threat of an impending labor strike by the ILA on the U.S. East Coast and Gulf Coast ports has caused a divergence in freight rate trends from Asia to the East Coast vs. the West Coast. Anxious importers were not waiting for a resolution to contact negotiations. The trade has seen increases in rates to the U.S. West Coast of 5 percent while rates are beginning to drop for shipments to the U.S. East Coast.

Many importers in the U.S. are attempting to bring in as much of their peak season imports to East Coast ports as early as they can this year. With the threat of a work stoppage many of those same importers are now focusing on using the West Coast to bring in those same imports causing a surge in demand for cargo space for ships bound for the U.S. West Coast ports.

Ocean Carriers Grapple with Capacity and Rate Issues
The year 2013 will see more new container vessels than any other year in the history of the container shipping industry. These new, larger, fuel-efficient ships will bring both problems and advantages to the carriers.

Carriers are seeking larger ships to enable them to have significantly lower per-unit carrying costs. The new ships will be more fuel efficient and are designed to steam at 18 knots vs. the fuel-hungry 24-knot vessels that still dominate the ocean carrier fleet.

Steaming at 18 knots should reduce fuel costs by $28,000 per day which averages a total of $1.5 million for a typical 56-day round trip voyage in the trans-Pacific trade.

The problem is that the new influx in capacity comes at a time where demand has gone down in the major east-west trades causing an excess in capacity even during this peak season. Carriers are worried that if they don't raise rates as a result of a poorly performing global economy, there is a much larger chance for "rate wars," particularly in the Asia-Europe trade where carriers have seen a collective loss of $6 billion in 2011 as opposed to a $20 billion profit the year before. The carriers' only solution to this is to raise the rates, particularly with the Beneficial Cargo Owner (BCO) market.

The smaller carriers will be grappling with this more than the larger carriers as they continue to increase market share. In the Asia-Europe market, Maersk Line, Mediterranean Shipping Co, and CMA-CGM have a combined market share of 50 percent.

The carriers do expect growth in the Asia to North America market, where rates have jumped 4.9 percent since the end of July as the modestly improving U.S. economy shows some import growth. However, the Asia to North America trade cannot make up for the huge losses in the Asia to Europe trade.

The industry is starting to take out capacity in both the Asia to Europe and the Asia to North America markets for their "winter schedules" earlier than usual. The G-6 alliance carriers of Hapag Lloyd, NYK, OOCL, APL, Hyundai, and MOL cut overall capacity in the Asia to Europe trade by 15 percent, but this still is not enough. The Grande Alliance and Zim have merged two of their services in the trans-Pacific trade to the U.S. East Coast.

The International Monetary Fund (IMF) predicts that global trade will increase 5.1 percent in 2013 and predicts that the carriers can look forward to better times next spring after a very rocky fourth quarter in 2012.

Port Strike Hits Portugal
Portuguese ports are reported to be facing a series of several strikes in the second half of September according to Inchcape Shipping Services. The strikes involve port pilots, stevedores, and port administration workers. The strikes will happen in several stages and are expected to impact the flow of cargo in Portugal's ports. The workers are protesting government austerity policies which include pay cuts for port workers.

India 2012 Exports Continue to Tumble in August vs. Last Year
India's exports for 2012 have decreased 9.7 percent vs. 2011 according to preliminary figures released by the Indian Commerce Ministry.

Total exports from April through August declined 6 percent as compared to last year's numbers. Imports during the same period also declined 6.2 percent. This decrease in numbers is largely caused by the problems with the European economy, yet there is hope that the U.S. market is stabilizing enough to help make up some of the difference in the next few months.

OCEAN FREIGHT:

Transatlantic Carriers seek General Rate Increase on October 1 -Update
The carriers in the Transatlantic to USA market have announced GRI's effective October 1 of $400/20', $500/40' & 40'HC for shipments from Europe to the USA and $200/20' and $300/40' from the East and Gulf Coasts to Europe and $400/20' and $500/40' from the West Coast to Europe. Hamburg Sud has announced their GRI from Europe to the USA will be $250/20 and $300/40'. Samuel Shapiro & Company, Inc. will work to mitigate the GRIs whenever possible. The U.S.-Europe trade is seeing lower than expected demand, so we are hopeful that these amounts will be mitigated. Please contact your Shapiro representative for details.

Port of Virginia to Impose Non-Member Carrier Chassis Fee
The port of Virginia will begin charging a $10 per day Chassis Usage Fee for those carriers that do not participate in the port's chassis pool called HRCPII effective October 1.

Under the new model, HRCPII will provide chassis to ship lines, motor carriers, and other port users by interchanging the required chassis to those users directly.

TSA Member Ocean Carriers to Add Low-Sulfur Fuel Fee to Bunker Charge
Carrier members of the Transpacific Stabilization (TSA) Agreement will be adding the cost of low-sulfur fuel used in the North American Emissions Control Area within 200 miles of the U.S. and Canadian coats to their bunker costs.

Effective October 1, the new component will be applied to the existing TSA member's bunker fuel costs in the amount of $17 per FEU to the West Coast and $21 per FEU to the U.S. East and Gulf Coats.

MSC Cancels GRI from Indian Subcontinent to U.S. Ports but Asia GRI Sticks
The previously announced GRI effective September 15 from the Indian Subcontinent ports to the U.S. ports has been cancelled by Mediterranean Shipping Company.

The GRI from Asian ports to U.S. ports have largely remained at previously reported levels for the U.S. West Coast ports and inland locations via West Coast ports, but the GRI amounts have been mitigated for U.S. Gulf and U.S. East Coast ports.

Please contact your Shapiro Representative for further details on this development.

AIRFREIGHT:

Emirates Adds Daily Flight from Washington DC to Dubai
A new daily flight is now available from Washington DC to Dubai. This will bring significant opportunities via Dubai as there are several direct freighter services out of Dubai to various airports around the world.

Air China Profits Fall
Air China Ltd reported that its profits fell 76.7 percent in the first half of 2012 as compared to 2011. Air China cited higher fuel costs and slowing demands as reasons for the drop in profits.

Cargo traffic was down 5.7 percent in the same period and the load factor on its capacity was only 56.9 percent. The recent release of the iPhone 5 and other electronics released should help the demand surge in this final quarter of the year.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Supports Five Below's Expansion into the U.S. Retail Market

Five Below, Inc., the leading retailer of trend-right, extreme-value merchandise priced between $1 and $5, was founded in 2002 by David Schlessinger, creator and founder of Encore Books and Zany Brainy, along with Tom Vellios, former CEO of Zany Brainy. In 2005, Five Below began importing directly and started its relationship with Samuel Shapiro & Company, Inc., and since then, the company has grown to 200+ locations, with plans for 50 new stores in 2012 and 60 more in 2013. Today, as one of Shapiro's largest customers, Five Below has a vast, popular merchandise category line-up including style, decor, sports, media, crafts, party, candy, and seasonal for teens, pre-teens, and value-minded consumers.

Shapiro's Philadelphia branch office has managed the account since its early beginnings and has witnessed Five Below's evolution from small importer to leading domestic retailer. "I remember when we had our first meeting with Five Below and met in a small show room filled to the max, with samples from floor to ceiling. They wanted to start importing and were very unfamiliar with the import and Customs clearance processes. We had 7 shipments that year," noted Marina Tasiopoulos, Regional Manager of Samuel Shapiro & Company, Inc. "Since then, we have worked very closely with the Five Below team to provide Customs compliance and tailored logistics solutions for their freight needs. It has truly been a prosperous partnership; I am impressed with how far they have come and am inspired for what tomorrow will bring!"

Five Below, which recently went public in July 2012, requires tailored, innovative, and cost-effective supply chain solutions in order to stay ahead in a fast-paced, highly competitive market. "Five Below has worked with Samuel Shapiro & Company, Inc. since the brand's inception when our company began importing directly; they have helped us with our containerized freight, brokerage, duty, and Customs clearance," notes Joe Barbieri, Director of Supply Chain for Five Below, Inc. "Shapiro provides alternatives and solutions to moving imports to the U.S., based on timeliness and costs. They offer a team dedicated to achieving our retail strategies."

Shapiro Promotes Marley Tanno to Import Supervisor

Samuel Shapiro & Company, Inc. recently announced the promotion of Marley Tanno to Import Supervisor at its headquarters in Baltimore, MD.

After joining Shapiro in the summer of 2010 as an intern, Tanno was hired full-time as an Import Coordinator that fall to support the company's largest import department. Marley graduated from Loyola University in Maryland with a Bachelor's of Science in International Business and also obtained a Bachelor's of Arts in Spanish after studying at the Universidad de Alcalà in Madrid, Spain.

Tanno successfully passed the Customs broker exam and obtained her license in late 2011, after taking advantage of Shapiro's comprehensive training and employee incentive programs. Tanno will work alongside Mercedes Perry, also an Import Supervisor, supporting the Baltimore Import Department under the guidance of Jamie Frampton, the branch's Import Manager. In addition to training, coaching and development of the Baltimore Import staff, in this new position, Tanno's main objective will be to effectively manage accounts and ensure optimal workflow while maintaining outstanding levels of customer service. Marley will also be responsible for maintaining classification of commodities in accordance with the Harmonized Tariff Schedule, ensuring trade compliance with U.S. Customs regulations, and facilitating cooperation with government organizations such as Customs & Border Protection, United States Department of Agriculture, and U.S. Food & Drug Administration.

"I feel so lucky to have found a home in Shapiro where I can learn and grow as much as I have," noted Marley. "I look forward to this new position and the opportunities it will bring."

"We are very excited to announce the promotion of Marley Tanno as the second Import Supervisor of the Baltimore Branch," notes Kathy McKoy, Regional Manager of the Mid-Atlantic Region for Samuel Shapiro & Company, Inc. "Marley has a very strong focus on customer service and professionalism while maintaining the family environment, and we are very fortunate to have someone like her with our operations."

Employees 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 the following Baltimore employees: Jennifer Galletta, Import Account Coordinator, and Jillian Vaccaro, Pricing Analyst, for their 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.