

AUGUST 2021



SUPPLY CHAIN DIGEST

INDUSTRY NEWS

- Uber Freight is acquiring Transplace. The \$2.25 billion acquisition of Transplace jumps Uber deeper into the shipper market and the managed transportation sector.
- U.S. Xpress's Dive Insight provided to SupplyChain Drive, offers agreement that our heightened rate and volume will persist through 2021 with Q1 illustrating a downturn.
- UPS is expecting the 2021 peak season to exceed 5 million packages per day. Peak season planning expectations show that projected delivery capacity will be short 7.2 million parcels ahead of the 2020 peak season.
- The Ningbo Meidong Container Terminal suspended operations at 0330 on Tuesday after a worker for a carrier tested positive for C19. As of Wednesday, there were 28 container ships awaiting load out.
- Additional reports from China illustrate that air cargo service to and from the U.S. and Europe have been suspended until the end of August. Specifically, China Eastern has cancelled all belly flights to major U.S. and European airports until August 30th. Estimates are forecasting a 30% drop in air capacity.
- In financial reports, HMM, the ninth largest container shipping line, posted \$2.06 billion in operating profit for the first half of 2021. The highest operating profit in its history. Hapag-Loyd also reported robust earnings with the first half 2021 reporting \$3.3 billion.

Coaches Corner: Four current and upcoming challenges to be met this year

Order Cancellations: There is a big risk for manufacturers as order cancellations loom large presenting a potential challenge in the near future. Consumerism built on 1-2 day delivery cycles is struggling as consumers look at big ticket items with timelines pushed 2 to 4 months out. Sourcing locally or foregoing a purchase could slow manufacturing in the next six months.

Just in Time Impact: Raw material and component shortages are forcing manufacturers to re-think their production models, rolling to a build-to-order model with confirmed inventory of raw materials and components required to produce a finished product.

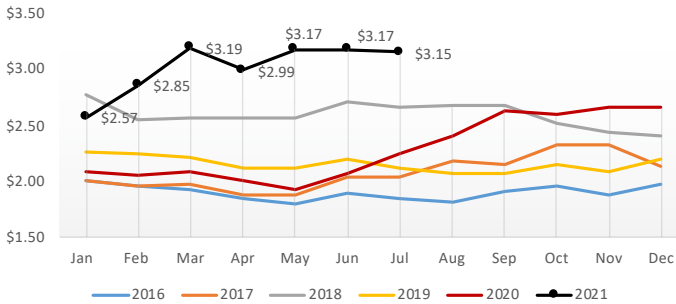
Global Sourcing: Sourcing products, components and parts is evolving to mitigate risk exposure. Development of procurement strategies will be needed to evaluate risk to the supply chain as another key element alongside cost and quality.

Truckload Market Capacity: Traditionally a mix of non-asset providers deliver small carrier capacity to shippers. The challenge: how to ensure your non-asset strategy is not inflating already higher index rates used to price spot market truckload rates.

Implementing Supply Cycle Design: Managing the supply chain from an end to end perspective has to give way to understanding the dynamics of equipment capacity, congestion points and market rate triggers to embrace resiliency in your supply chain. In addition to the supply cycle, supply chain strategies must encompass a broader view that includes the source and movement of your raw materials, components and finished goods.

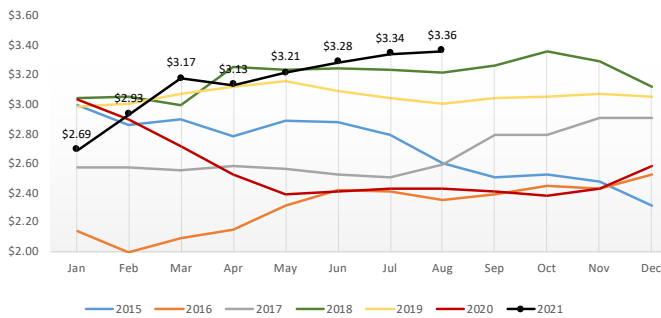
ROCKFARM One View

Average Truckload Rate per Mile



Truckload rates continue to hold with July's Rockfarm cost per mile index of \$3.15 illustrating a slight decrease of \$.02 per mile compared to the average from May and June. The continued pressure on available capacity with the increasing higher cost of diesel and projections are illustrating the reality of higher rates through year end. Midway through August the national average for diesel has hit its highest level since October of 2018 when diesel also peaked at \$3.36.

National Average Diesel per Gallon

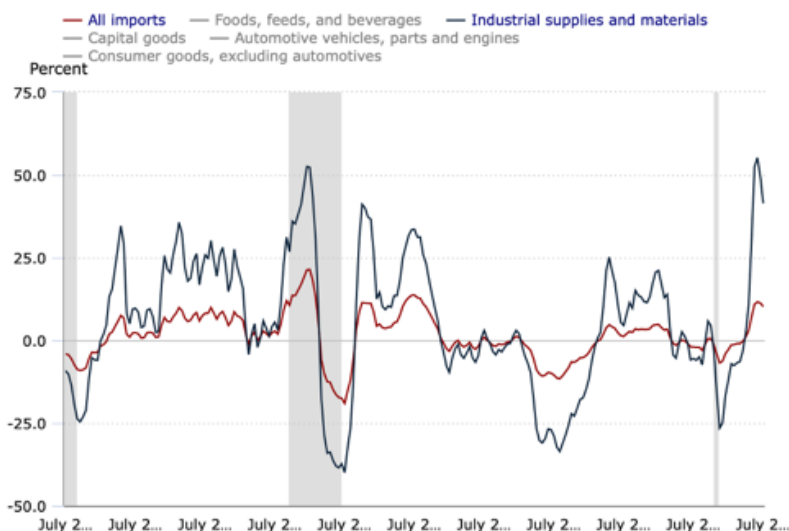


Pricing within key lanes from ports and railheads continues to illustrate tightened capacity. Spot market intermodal rates have surpassed spot market truck rates in the LAX Basin, pushing an uptick in trans-loading from intermodal to truck in LAX to eastern markets. The challenge now arises with the influx of transloads from container to over the road trailers. How many 53' trailers are available to meet the demand? Adding to the congestion, order patterns are increasing as companies look to build safety stock for the peak season.

Freight expense continues to impact the overall costs of goods as seen in the latest price indexes. The CPI rose again in July and has now risen 5.4% over the last 12 months. U.S. import price index illustrates an advancement of 10.2% over the past year that includes fuel imports. Non-fuel imports have risen 6.3% over the past year in line with the CPI. A bit of good news has been export prices,

which have risen 17.2% with industrial supplies and materials leading the index at a 40% increase in prices this past year.

U.S. import price indexes for selected categories, 12-month percent change



Inventory levels remain very low as reported by the U.S. Census Bureau. The inventory to sales ratio finished at 1.09 in May up .02 from April's all-time low. There are signs that consumers are shifting spending to services as the C-19 restrictions let up. This has resulted in lower retail sales for goods such as furniture and new autos. As peak season heats up, the consensus remains. Retailers will continue to fight for capacity as inventory levels continue to build through the first half of next year.

Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

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