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rockfarm

Supply Chain Solutions

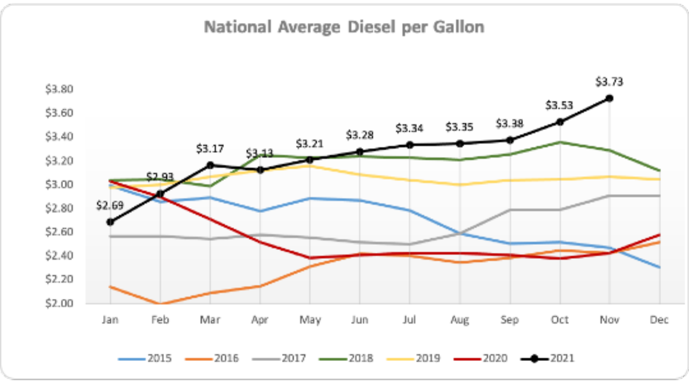
SUPPLY CHAIN DIGEST

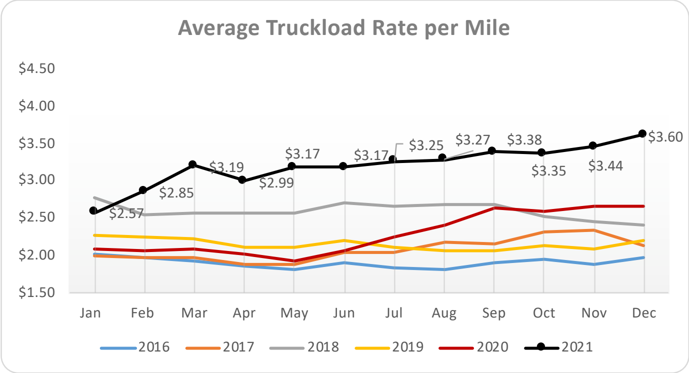
INDUSTRY NEWS LEADING TRENDS IN 2022

Editor's Comments: I do not believe you will get much argument that 2021 has been a year of disruption. The general consensus was hoping that 2021 would see the recovery from the pandemic continue on a positive trend as we grasped for the pre-Covid normalcy. Obviously, events shaped our reaction and future strategies toward what will become a defining year for us in 2022. For a review of the year and what drove our decision making, let us recap as we look ahead to the New Year.

- Industry Investment: Investment has been ongoing within our industry for quite some time. The difference this year? Consolidations and mergers & acquisitions have hit deal values surpassing pre-pandemic levels. The Knight-Swift Transportation merger has spawned further LTL consolidation with the acquisition of AAA Cooper and Midwest Motor Express. TFI International's acquisition of UPS Freight in the spring was yet another large transaction in the LTL industry. The investments have not been solely focused on asset rucking as seen by Uber Freight's acquisition of Transplace in the non-asset logistics space. What lies ahead for 2022? Two driving forces for investment in the supply chain industry will ramp up next year: near shoring and infrastructure investment, driving more opportunities for strategic and financial investors throughout 2022.
- Resiliency: No doubt 2021 left us staggered or even taking an eight count between strikes to the supply chain. Impacts to the supply chain included the Suez Canal blockage, rail and port disruption to supplier challenges that created a barrage of challenges in 2021. The net effect, outside of exorbitant cost, is that new ideas have been formalized into strategies which are now being executed to maintain the ability to absorb impacts to the supply chain and recover quickly. The number one activity we are seeing is sourcing. Diversification of the supplier base, in terms of the addition of new suppliers, as well as the geographic location of the suppliers has become a key objective for manufacturers and distributors alike. Activity to source within the U.S. and Mexico has ticked upward due to congestion in our rail and ports, forcing shippers to look closer to home for parts and components. This trend will continue as long as the picture of container ships off the coast of southern California remains as a constant reminder in our strategy development. In addition to sourcing, supplier matrixes have taken center stage to understand the links that tier II and III suppliers have in their own supplier networks. Due to the overall impact of the pandemic on all things supply chain, a raw material or component shortage with a tier III supplier that cripples your production is the same as a tier I supplier missing a required delivery date. As we know, every component and part is required to complete a finished product.
- Resources: People, equipment, parts and service are all defined as a key element of a supply chain. When those resources begin thinning and illustrate gaps in the supply chain, we have to look at new ways to secure those needed resources to keep our supply chain flowing. On the other hand taking into account the pandemic and its aftermath has created a host of challenges as political and economic conditions have turned up the heat to recover. Recruiting and retaining employees have taken center stage as the expected recovery takes hold and sends manufacturers scrambling to find the employees to put product in the market place. Expect a continuation of the same in 2022 as competition for employees remains strong.

ROCKFARM One View





Rockfarm's truckload cost per mile index showed a slight increase as the holiday season kicked off in November. To gauge where we are halfway through December, the cost per mile through the first 13 days of December reflects a continued increase, reaching a new five year high at $3.60 per mile.

One element fueling the sharp increase as compared to the previous months is the cost of fuel. The cost of diesel rose $.20 cents per gallon in November, but has since settled at $3.66 for the first part of December. As we look at the past 12 months, fuel costs as well as the Rockfarm truckload index have increased 28% as an overall average within the cost per mile metric.

What lies ahead is the looming question. We know resources will remain tight as projections show volume levels remaining robust through the first half of 2022. Sourcing strategies will tighten up midsize to large asset carriers creating deeper capacity constraints in the spot market. Challenges with port congestion will continue through Q1 creating bottleneck hotspots with certain regions and lanes. Pull your hat on tight, if 2022 has any unexpected impacts, we will be in for another challenging year.

TOP 10 Challenges for 2022:

1) LTL capacity: Acquisitions create constraints and carrier shutdowns add fuel to the fire.
2) Broker Financial Stability: Small and midsize brokers are being constrained by credit limitations due the rising cost per load. Longer shipper terms and increased volume can create challenges for brokers trying to pay their carriers and collect from their customers. Be certain to maintain vigilance on your broker's financials.
3) Capacity acquisitions of midsize carriers: Keep your midsize carriers close during acquisitions by a larger carrier. The short play isn't to acquire customers, it is to acquire drivers to utilize on already existing business within the larger carrier's network, potentially leaving shippers reacting to a severe capacity constraint in their carrier solution.
4) Reducing the commoditization of your shipments: Maintain strategic alignment with your non-asset brokers to keep them from chasing the same truck capacity on the spot market.
5) Automation of your TMS functions: Know your ROI to automate shipment planning workflow. The payoff will loom larger this year as experienced supply chain talent grows harder to find and retain.
6) Technology shortsightedness: There are a myriad of TMS technologies available in the market today. Lay out your vision to buy forward with your technology allowing focus on ROI versus jumping into the next TMS technology. Enterprise TMS technology is lower in direct expense and implementation than it ever has been.
7) Implementing Supplier Resiliency: Mapping Tier II and Tier III supplier networks will be challenging with a lack of resources and time in 2022. Post project, the challenge presented may be in prioritizing the gaps discovered during the process.
8) Inventory expense: The change in inventory levels is on a positive upswing. The challenge is balancing a projected drop in demand next year with a reduction in orders. Additional inventory purchased at a higher price now may be a loss leader if consumer spending slows in 2022.
9) Resource retention: At this time we are seeing a drain on available resources as the baby boomer generation wraps up their careers. The experience lost is only earned through time. Retention will be critical as new challenges arise in the post-COVID supply chain.
10) Keeping up with Inflation: 2021 has shown how extreme freight rates can rise. The critical question for shippers is how to keep up with rising inflation with adjustments to their goods. The first step? Visibility derived through technologies and data collection that enables deeper analytics.