SEPTEMBER 2021

rockfarm®

Supply Chain Solutions

SUPPLY CHAIN DIGEST

INDUSTRY NEWS

- September 9th saw a record 134 vessels in the LAX-LGB San Pedro Bay port complex, which includes 74 vessels counted as "in port" waiting offshore. Of the 134 vessels, 86 are containerships.
- Kansas City Southern has selected Canadian Pacific as the best of two offers to buy the railroad. The $31 billion dollar bid includes exchange of 2.884 CP shares and $90 cash for each share of Kansas City Southern. The other bidder, Canadian National still has 5 business days to negotiate amendments to its offer.
- Echo Global Logistics has entered into a definitive agreement to be acquired by The Jordan Co., a private equity firm. The $1.3 billion dollar buyout allows Echo Logistics to become privately held.
- Most of the nine Louisiana refineries shut down by Hurricane Ida have restarted. The refineries have come back on line faster than oil production.
- The Nippon Foundation plans to have a container ship pilot itself from Tokyo Bay to a coastal Japanese city on a 236 mile trip in heavy marine traffic. The journey will be the world's first test of an autonomous ship in an area of heavy marine traffic.

Coaches Corner: Supply Chain Actions in an Inflationary Economy

The latest report from Statista reflects that inflation is now above 5%, a rate not seen since 1990. Companies have caught up with rising raw material and component costs, and have implemented price increases on their products. Resilience is now being echoed throughout boardrooms and leadership meetings as companies work to mitigate what was working to something that keeps the business moving forward. The good news today is greater demand is overcoming pricing pressure. What is great demand today will become less demand tomorrow.

Supply chain resiliency has worked its way to the forefront of companies attempting to mitigate their risk across several fronts. The impact of the pandemic has had far reaching consequences and those consequences are highly visible in the supply chain. As economies opened up after the 2020 shutdowns, surging demand enabled by personal income saved during the shutdowns and uneven start and stops associated with state economies opening up has delivered ebbs and flows throughout supply chains. The results are shortages, shortages in materials and labor produced by unprecedented demand for goods. With demand outstripping production capacity, inflation has hit the general ledger for transportation expense.

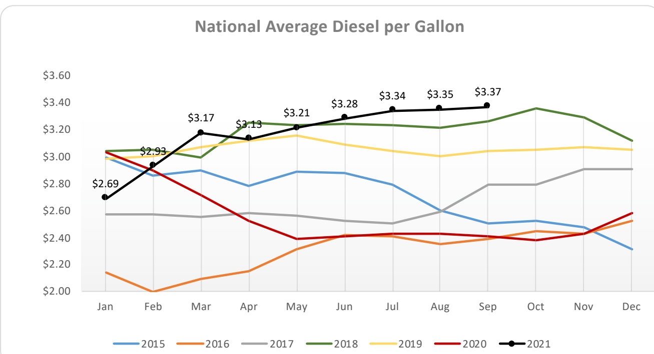
As the inflation adjusted cost of goods is positioned in front of the consumer, companies should be looking inward at their ledger for a thorough review of all expenses. Consumer reaction to higher prices can erode sales and market share. Development of strategies to lower expenses should come from GSA, discretionary spending, planned capital projects, procurement, sourcing and optimization of a company's infrastructure. With transportation expense equating to a higher percentage of expense to sales, deployment of strategies across sourcing, purchasing and customer contracts take on a new sense of urgency.

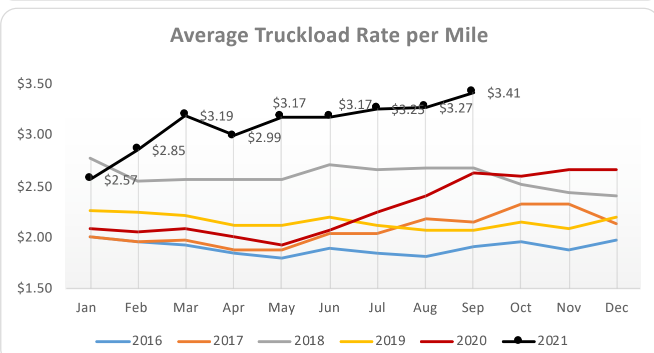
Five key actions for the supply chain: *cont'd on page 2*

ROCKFARM One View

Truckload rates are illustrating the onset of the peak season as rates climb to a 2021 high of $3.37 cost per mile through the first half of September. Pressure on supply chains continues as imports reach record levels. Ports of entry are illustrating the highest index rates within the Rockfarm indexes. For example, Savannah to Charlotte is posting a $4.00 per mile rate while LAX to Dallas reflects rates at $3.78 in conjunction with LAX to Chicago at $3.13. All rates are at or near 2021 record highs. Capacity from major hubs such as Chicago, Memphis, Atlanta and Columbus continue to reflect ongoing capacity challenges since the 1st quarter of 2021.

Rockfarm's key truckload rate indicators illustrate increasing pressure with the tender reject rate for September climbing to 12.37%. Spot market opportunities decreased slightly in July, however, August jumped to their highest level since March of 2021, reflecting ongoing pressure on shippers to capture truck capacity.





The cost of fuel continues to rise and is nearing the highest levels seen since 2018, but still well short of the $4.15 recorded in January of 2013. Oil production, impacted by hurricane Ida, has ramped back up, however, a great deal of the Gulf oil production remains shutdown two weeks after Ida made landfall. As of September 10th, 66.4% of crude production remained off line which has prompted two releases from the Strategic Petroleum Reserve to Shell and ExxonMobil onshore oil refineries.

Coaches Corner cont'd from page 1:

Strategic sourcing: We have all seen the impacts of the Suez blockage, rail congestion out of our ports and rail hubs, lack of transport equipment and shortages in raw materials & components to name a few of the challenges met in the last 18 months. Identifying production sources both domestically and in the USMCA trade corridor becomes a gateway to offset risk from APAC countries where freight expense has wiped out all margins on imported goods.

Dedicated truck capacity: Large shippers are making big moves to secure dedicated capacity. The payoff can be big, but the cost can also be big. Key focus points center on purpose and economics.

Reduce your supply chain footprint: Less miles = Less risk. Getting closer to your suppliers with potential consolidation points or getting closer to your customer through distribution alignment adds flexibility to your supply chain.

Own your data: Now more than ever, data is king. Analytics support or defuse the hot ideas circulating within the organization and illustrates paths to success. Good data leads to the great decisions that need to be made now.

Leverage with your customer: Many mid-market companies see customers owning their own freight terms from the plant, which creates dueling priorities of shippers and shipper customers fighting over the same capacity. Strategize on how to best serve your customer while leveraging your entire shipment volume. *For further information on supply chain strategies please contact us.*

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