



A DISTRIBUTOR'S ADVICE
FOR NAVIGATING
TODAY'S SUPPLY CHAIN
CHALLENGES

You've probably seen the stories about congested ports and delayed shipments. Maybe you're also seeing price increases and new surcharges on your packaging orders. What's going on? How long will these issues last? How will they impact your production schedule? While no one has all the answers, we've got you covered. TricorBraun has identified four steps you can take today to improve the continuity of your product supply.

WHAT HAPPENED TO SUPPLY CHAIN RELIABILITY?

The short answer: COVID-19 happened.

The Coronavirus has significantly disrupted the global supply chain—causing labor shortages, factory shutdowns, and severely impacting the freight trade between Asia and the U.S. In early 2020, there was a shutdown of almost all manufacturing and exports from China. As the pandemic made its way across the Pacific, the U.S. started shutting down too. By the time China was back up and running mid-year, the U.S. was facing labor shortages and manufacturing slowdowns of its own.

As states put stay-at-home orders in place, many U.S. consumers began abandoning store shelves in search of safe shopping from the safety of their homes—leading to a boom in e-commerce. One result: inbound ocean shipments to the Port of Los Angeles and Long Beach were up 20% in 2020 compared to the year before.

Ships from China to the U.S. are packed with containers of goods, but not enough empty freight containers are making it back across the Pacific. This is due to delays at the ports and in offloading containers at some distributors' facilities. As a result, a cascading set of challenges are emerging for distributors and customers alike.





THE GLOBAL PROBLEMS IMPACTING SUPPLY CHAINS.

It all starts with congested ports. According to the *Journal of Commerce*:

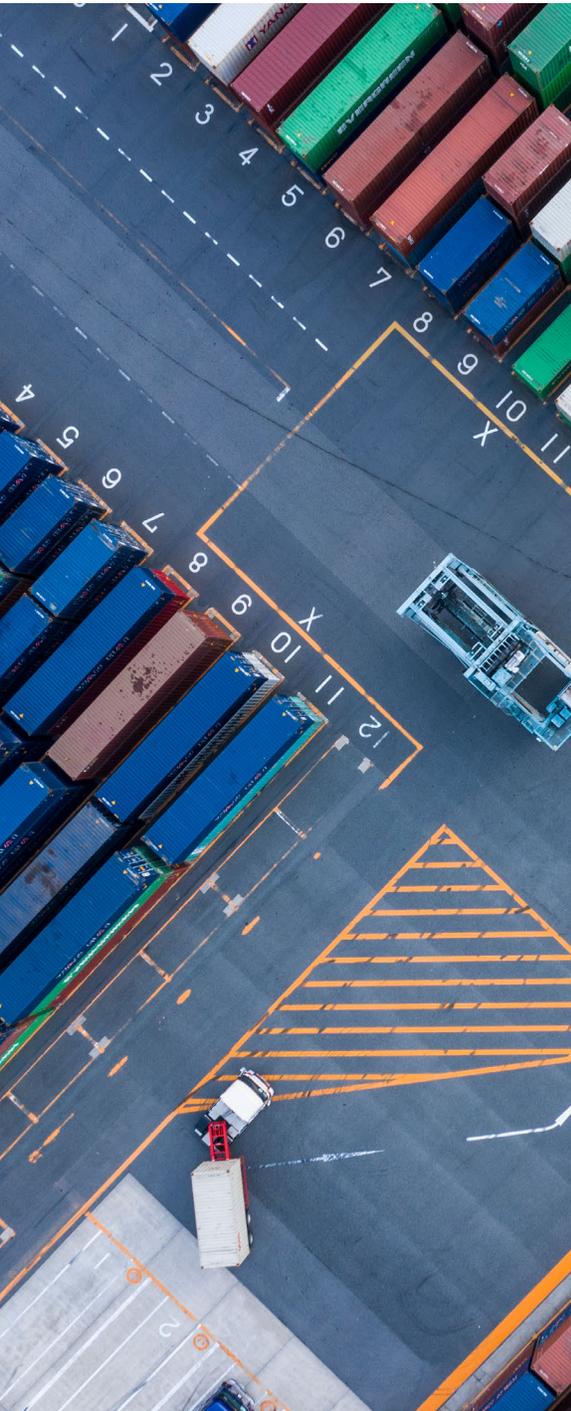
“Southern California’s entire international supply chain has been stressed since imports began to increase rapidly in late June. The problems included vessel bunching at the ports, congested marine terminals, shortages of skilled equipment operators on the docks, lengthy truck queues at the gates, chassis shortages, and distribution warehouses filled to capacity.”ⁱ

With increased demand for space on ships heading to the U.S., the ocean carriers are commanding premium rates above standard contracts for all shipments. In other words, supply and demand (more goods than ships) is enabling shippers to raise rates. And with empty freight containers at a premium due to containers not getting back into the freight stream, Asian exporters have added new freight surcharges as well.

This cost uncertainty isn’t just impacting freight. It’s impacting the resin and glass markets as well. In the resin market, supplies are tight, demand is beyond capacity and prices are growing at an unprecedented rate. For example, polypropylene is currently 2x higher than it was in Fall 2020, and manufacturing disruptions from the severe weather in Texas are driving resin prices even higher. In the glass market, inflationary pricing is the result of steady demand versus available capacity, higher material and fuel costs, and labor challenges—creating long lead times and high prices globally.

This inflationary period is where we are now and it looks to be here through at least mid-year; but it will subside as the markets settle, capacity comes on line and freight lanes get organized. It will get better. Right now, however, the challenges brought on by the global pandemic are creating supply uncertainty and cost increases around the world.

ⁱOutlook 2021: No Relief in Sight for LA-LB Congestion Problems. January 4, 2021. Journal of Commerce Annual Review and Outlook.



HERE'S HOW TO PREPARE FOR CONTINUITY OF SUPPLY.

1. Plan ahead.

Ask how your supplier is forecasting demand and managing supplies; what other options are they bringing to you? When you partner with TricorBraun, you're partnering with our entire integrated global supply chain. We start with sophisticated forecasting to continually assess the economic landscape. We monitor the labor market, the movement of freight at U.S. ports, and the repositioning of freight containers in order to understand the nuances of the current shortage and when that shortage might ease. Our forecasting prowess enables us to spot shipping bottlenecks early and stock up on inventory. This allowed us to supply stock packaging to our customers while other companies were scrambling for inventory.

Our current assessment: We can get your products for you, but we need more lead time than ever. **We're advising our customers to get their orders in at least 90–180 days in advance.**

2. Choose a distributor with global reach.

Not every company has access to the same vendors, so be sure to ask about available options. At TricorBraun, we source globally from a wide range of domestic and overseas vendors to ensure your products are there when you need them. Our relationships span the globe: from South America to Asia to Europe and the Middle East. Closer to home, our suppliers in the U.S., Canada, Mexico, and Latin America mean we also offer packaging options that don't require sea freight.

Due to TricorBraun's global scale, we're able to build strong supplier relationships and bring volume and investment to support our supply partners and ultimately our customers. That said, see No. 1, above. Supplies are tight—and long lead times are essential whether you're sourcing from the U.S. or overseas. Make sure your distributor shares expectations and communicates regularly with you about what they can and can't do.



3. Choose a partner with stable shipping connections.

Because TricorBraun operates around the world and manages large volumes of products and shipments, we have contractual relationships with the freight container companies and shipping brokers where we do business. Being in good standing with both means we can almost always get supplies onto a ship and can move product—though often at a higher cost right now due to unavoidable surge pricing (spot or premium rates). With shipping space very tight these days, it's reassuring not to worry about whether your products are on the way.

4. Beware of hidden fees.

At TricorBraun, we practice something called “live unload.” This means that every shipment we receive is unloaded at our warehouses immediately—and the empty freight container is returned to the port the same day. This sounds simple, but this live unload gets our containers back to the port and the containers back in the freight stream. Not only does this help keep us in good standing with our shipping partners, but it also means no freight container rental fees for us or passed along to you.

Ask your vendor about hidden costs and fees. While overseas shipping surcharges are unavoidable, at TricorBraun, we'll always have the conversation with you about what we're doing to keep your goods moving and your shipping costs transparent.

WE'LL STEER YOU THROUGH THIS UNCERTAINTY.

We might not see the end yet, but there is an end in sight, and we will continue to keep our customers updated with any progress or changes. COVID-19 vaccine distribution is set to accelerate, meaning fewer infections and a return to more-normal supply chain conditions. As that happens and the domestic economic slowdown eases, we expect to see inflationary pricing on both resin and glass ease and freight start to move back and forth at a more normal pace. In the interim, TricorBraun is here to help you navigate in this uncertain time.

Have questions about your product supply? We'll walk you through your options.

TRICORBRAUN

6 CityPlace Drive, 1000 | St. Louis, MO 63141

Toll Free 800 325 7782 | Tel 314 569 3633

If you have any questions about this white paper
or our services, please call [800-325-7782](tel:800-325-7782)
or email marketing@tricorbraun.com