

# THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

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## As Ocean Rates Decline, CHALLENGES STILL PERSIST

Right now, shippers around the globe are starting to believe they are seeing the light at the end of the tunnel with their supply chain issues, as ocean freight rates continue to decline. However, this vision may be more of a mirage as the problems affecting the supply chain go far beyond ocean freight rates.

Inland connections, labor uncertainty, and low reliability are wreaking havoc on the supply chain, causing significant delays in shipments getting to their final destinations. These difficulties are a byproduct of shrinking labor forces at warehouses and rail terminals, severe chassis shortages throughout the country, and ongoing union labor disputes. As a result, rates continue to remain elevated.

“Shippers continue to think their overall costs will be dramatically reduced because ocean carrier West Coast rates have declined. Unfortunately, due to all delays and unavoidable storage space, that is not the case,” said Anthony Fullbrook, President of OEC Group’s Northeast Region. “What shippers have to understand is that the supply chain is very nuanced and there are many factors that affect both cost and transit time.”



While most experts have blamed the recent labor disputes for the various fees, surcharges, and congestion, the reality is that issue is only partly to blame. Another significant and less easily solvable problem, the lack of labor, has been the main contributing factor in the inland congestion that is currently plaguing the industry, particularly with the stacking issues that are affecting all U.S. ports and rail yards.

In fact, one needs to look no further than the Port of Los Angeles to see how these labor issues are creating bottlenecks that result in container stacking that adds to the congestion and delays the transfer of containers from port to rail, impacting the rail system and supply chain. According to reports, there are currently tens of thousands of containers waiting for an IPI connection to take them to their final destination – way more than what is normal at this time of year. In short, while cargo is now able to get to the port, getting it out of the port and to its final destination can still take months and incur significant amounts of surcharges and fees.

“Shippers need to go beyond ocean freight rates when making decisions about their logistics strategy, because the issues affecting the supply chain are not always in plain sight,” said Jason Haith, Louisville, KY Station Manager. “The key to navigating these obstacles is to diversify your pricing and inland routing strategy. Working with a seasoned and knowledgeable logistics expert who can see the big picture is critical, as their expertise can help shippers weather this storm and achieve a healthier bottom-line.”



## INTERVIEW WITH AN EXPERT

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*Kaleb Shaw, Sales Manager at OEC Group's Kansas City office, discusses the overall state of domestic logistics and examines the importance of multiple options when it comes to shipping effectively from A to B.*

### **Q: What is the most pressing problem disrupting imports to the US?**

U.S. landside operations are the biggest issue across the board right now. Finding available equipment and actually accessing that for use is very difficult for your average shipper at the majority of gateway ports and throughout the inland North American transportation network.

It's also extremely important for shippers to remember that the issues industry publications have discussed and that we've harped on are still extremely consequential. The ILWU-PMA negotiations are still going on in the background, and now these rail negotiations have taken more of a front seat. Although these issues may not make headlines every day, they still need to be taken into account.

### **Q: Do you advise clients to focus their supply chain strategies on ports of entry or inland distribution routes?**

Both. And I think that's what makes diligently collecting information on the market and our clients' individual needs is so important. The more options we're able to present across multiple modes of transport—air, ocean, rail, truck, or some combination—and multiple types of moves—FCL, LCL, etcetera—that satisfy a customer's specific supply chain constraints, the more optimized their shipping process will be.

Bottom line shippers should absolutely avoid putting all their eggs in one basket. Diversifying and limiting exposure to risks and delays on one singular route is helpful in a difficult market like this one. If all of your freight is scheduled on the rail and there's a rail strike, then the consequences would be catastrophic. Similarly, if a shipper is struggling to find equipment and trucking capacity to rely solely on a trucking solution while having zero rail capacity booked, then catastrophe can strike in that situation, as well.

**Q: How do expedited services factor into the current environment?**

I've had more clients ask about expedited services in the last few weeks than at certain points during the height of COVID-19. Back then, shippers were asking about expedited options due to the uncertainty surrounding the pandemic, pandemic restrictions, and the viability of their deadlines under those conditions. Now shippers are inquiring about expedited options due to their proven utility. Specifically, on the West Coast, we're seeing expedited freight gain consistent and substantial velocity when compared to the rest of the field. For shippers with tight delivery windows, these services can make all the difference.

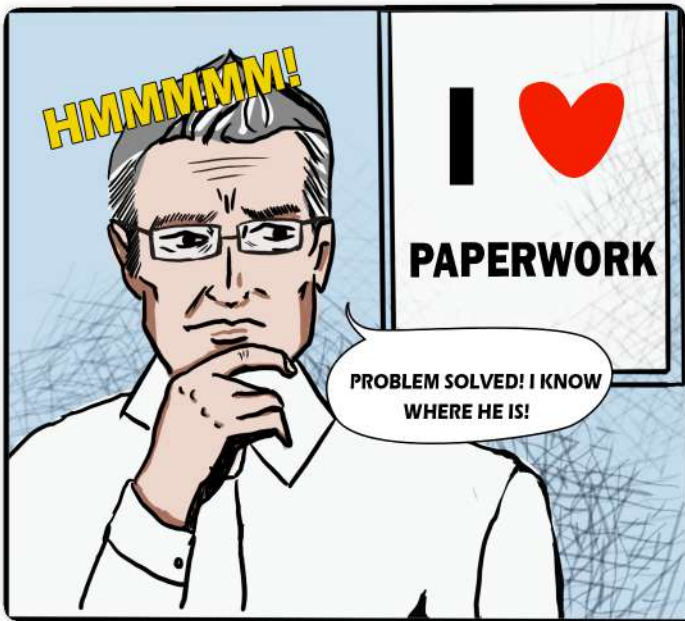
**Q: How difficult is it to get a clear picture of what conditions are like on the ground?**

For most shippers, finding reliable and updated information on the state of ports or inland freight stops can be difficult. It can take some time before industry publications or other organizations publish confirmed statistics. Fortunately, with an organization like ours, tracking the large volume of cargo we are responsible for can give us a clear picture of the overall landscape. Constant communication with truckers, port and terminal operators, and closely monitoring transit times of our own freight between locations lets us identify congested areas as well as fast-moving routes in real time.

**Q: What advice would you give shippers trying to move freight effectively under current conditions?**

Diversification is imperative. Communication with your logistical provider is also key when minimizing delays and building that effective diversified strategy. Also, using market characteristics to your advantage is sometimes overlooked. I know last month our newsletter discussed the inherent benefits of FCL shipments, including how shipping that way eliminates delay from opening the container, repackaging, or unnecessarily handling internal cargo during a shipment. Shippers need to capitalize on those aspects of the market and partner with an expert that can help them do so in an optimal way.

FINDING "KAI"



# Rice

## FUN FACTS



Uncooked white rice will stay fresh and edible for anywhere between 10 and 30 years



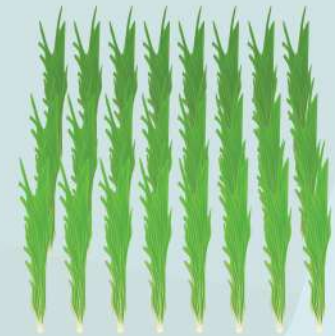
The practice of throwing rice over newlyweds dates back to the Roman Empire, symbolizing wishes for the fertility and prosperity of the couple



The average American consumes 27 pounds of rice a year



Studies suggest that a diet of rice may slow down the aging process



More than half of the world's population regularly eats rice as a staple food



Rice is grown on every continent except Antarctica



All U.S.-grown rice is sodium-free, cholesterol-free, and gluten free



The largest bowl of fried rice weighed 9,242 pounds

# ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

*Our business is making our logistics expertise, your competitive advantage.*