Supply chain chaos here for the long haul

By

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A trio of supply chain experts painted a bleak picture for the immediate future concerning the logistics issues that have plagued the United States and the world for the past two years. They each agreed that the current port bottlenecks, rising truck rates and labor issues will be evident throughout 2022 and probably well into 2023.

The speakers were part of an International Fresh Produce Association webinar held on Wednesday, Jan. 19, and hosted by Ed Treacy, IFPA's vice president of supply chain and sustainability. He called the coronavirus-related epic disruption of the supply chain a difficult situation that is causing prices to increase and could impact consumption of fruits and vegetables and floral purchases. Treacy revealed that IFPA is closely monitoring the situation and has pertinent information on the association's website on a dedicated page that can help shippers and receivers navigate the many issues surrounding the problem.

The first speaker was William Duggan, who is the North American cold chain advisor for Eskesen Advisory, which specializes in the reefer business. Duggan, who worked for Maersk for more than three decades, said "chaos" is the one word that best characterizes the port backlog of container ships that began in earnest in 2020 and he believes will continue until at least late 2022 and possibly into 2023.

He articulated several reasons for the backlog, including slower turnaround times at the port because of COVID-19, an increasing number of loads caused by consumer purchasing habits that have spiked as people have been stuck at home with more disposable income, and labor issues at ports and the warehouses that must load, off-load and store the goods.

Duggan also noted that the backlog is affecting virtually all ports in North America as well in northern Europe and northern Asia. Treacy revealed that the Los Angeles/Long Beach port complex set a record on Friday, Jan. 14, with 105 ships anchored off the ports waiting for entry. Duggan noted that there are also significant backlogs in Seattle, Savannah, Charleston and New York, as well as Rotterdam, Hong Kong and Singapore. While he seemingly applauded the move to make the Southern California ports operate on a 24/7 basis, he was not hopeful that it would have an immediate impact. He said that unless the supporting warehouses and industries adopt the same strategy, the increased hours will not offer much relief.

Specifically speaking of fresh produce and perishable shipments, Duggan said shipping lines are prioritizing dry freight because those shippers are currently paying higher freight rates, which he said is unprecedented.

Later in the webinar, Duggan advocated that the U.S. states where the ports are located should activate the National Guard to help unload the ships, set up temporary pop-up warehouses, and use their logistics expertise to help solve this perplexing problem.

Jeff Moore, vice president of sales for Tom Lange Cos. in St. Louis, focused most of his attention on the domestic trucking situation, reporting that it’s a challenge that is not going to be fixed for quite some time. “We’ve just completed the third inning and we are in the top of the fourth,” he said, using a baseball analogy to indicate how far away the solution is.

Moore said a driver shortage and overall labor shortage at loading and unloading docks are the two main issues confronting the produce industry. He said these two worker issues were already evident pre-pandemic, and COVID-19 concerns have exacerbated the situation. Treacy noted that he has heard of freight rates of $15,000 from coast to coast, and Moore gave no indications that those rates are going anywhere but up. “Rates will increase into 2023,” he predicted.

He reasoned that demand for trucks will continue to increase and supply is not keeping up. He added that the recently passed federal infrastructure bill was much needed, but it also is going to increase demand for trucks as those projects are being built and supplies are being shipped all over the country.

Stewart Lapage, executive director of operations and logistics for Vancouver-based The Oppenheimer Group, called the port delays the biggest issue facing his firm, which is one of the largest fresh produce companies in the world. Lapage said delays at the port have caused countless losses in fruit spoilage with no end in sight. And he said the allocation of containers and container ships has caused major logistics issues, with South American fruit exporters currently facing a real concern about the ability to ship their fruit this season without it spoiling on the trees, in route or in far-away harbors.

He added that lack of labor throughout the supply chain, and throughout the world, is not a problem that is going to be solved anytime soon. Lapage said some believe that these supply chain issues are unique to North America, but he noted that that they are even more severe around the world where many countries don’t have the infrastructure or technology to offer at least some relief.

Lapage said North American manufacturers of cartons and packaging supplies have received somewhat of a boost as many companies are afraid of ordering from overseas sources because of the supply chain issues. These companies can maintain at least some control over shipments that are land-based.

But on the flip side, Lapage said a new rule in Canada mandating that all truck drivers be fully vaccinated to transport cross-border shipments went into effect Jan. 15 and is causing major headaches initially. If U.S. truck drivers are vaccinated at about the same rate as others in society, Lapage said that about 25 percent of the cross-border drivers were taken off the road overnight. The United States is expected to soon institute a similar policy for drivers coming into the United States from Canada.

Each of the speakers had similar advice for importers/exporters and shippers/receivers along the supply chain. Duggan said you should try to secure space as early as you possibly can, expect to pay more and try to sign longer term agreements. He said waiting it out for a better rate at the last minute is a “recipe for disaster.” He advised using fewer carriers and consolidating volume with other shippers for leverage when possible.

Lapage said you should budget for increased logistics expenses, try to get early commitments and sign contracts for your transportation needs. “Pre-negotiate. Get out in front of it,” he advised.

Moore advised shippers to use best transportation practices and treat truckers well. He said paying a little bit more for better service is worth it.

Treacy chimed in stating that truckers have a choice in today’s environment and they are only going to service the best receivers and best shippers. Lapage agreed, noting that many receivers who had instituted financial penalties for shipments that didn’t arrive on time have relaxed or eliminated those rules. He did say that some receivers are sticking to those policies but have become a bit more reasonable.