AMERICAN SHIPPING COMPANY
"News Flash"

March 18, 2020

MARKET UPDATE AS COVID-19 FURTHER IMPACTS SUPPLY CHAINS AND TRANSPORTATION

Here are updated highlights within the transportation arena, some that will change as the COVID-19 (Coronavirus) continues to impact global supply chains. Please understand that these can change without notice due to market conditions and impact of immediate decisions made to cope with the ongoing COVID-19 outbreak.

The United States border with Canada will temporarily close to "non-essential traffic" due to the COVID-19 pandemic, as mutually agreed to, between President Donald Trump and Prime Minister Justin Trudeau, just this morning. **Trade will NOT be impacted.**

Cargo is streamlining much better from China and has returned to levels before the COVID-19 outbreak, as production returns back to near normal, workers have returned from quarantines, and truck service improved as truck drivers are now less restricted due to the outbreak reductions.

Ocean Freight Capacity from China remains a challenge as void sailings, that had already been announced during the outbreak of coronavirus within China, significantly limited the exports of containers as the volumes began to increase in recent weeks. It appears the announcements of new blank/void sailings beyond week 16 are now reducing, however the current stretch of sailings for 5 weeks, leading up to this point since week 10, has involved over 15 blank sailings amongst the alliances that are helping the carriers fully utilize their vessels and increase rate levels. It is reported that over 80 vessels just to the US West Coast, will have been cancelled between February and early April of 2020. Container rolling has started on the Transpacific Eastbound trade as space is carefully controlled, and carriers will prioritize higher revenue cargo first.

Ocean Freight Rates from China will most likely continue to rise based on space and demand strategies by the steamship lines. Volatility is expected as General Rate Increases and Surcharges continue to be announced and implemented while at the same time, the competitive nature between carriers to gain market share will increase as we soon approach the new contract season; volumes continue to increase significantly; and alliances plan to utilize larger vessels in coming weeks. Carriers have even insinuated that they are planning for a multi-month peak season environment and starting as early as April, with full vessels and tight space to be expected. In the meantime, carrier negotiations have been limited at this time and may likely create a scenario of the current contracts being extended (traditionally expiring April 30th), until there is more certainty as to the impact of COVID-19 in coming weeks and further hopes that the environment will be in greater favor for the steamship lines to achieve the rate levels that focus on profitability.

Ocean Freight Terminals in the USA are bracing for significant increases in volumes in the coming months, while monitoring the COVID-19 and preparing for any contingency plans. History can guide us that once the inbound volumes turn up significantly and consistently, port and terminal congestion, chassis and driver shortages, as well as delays in recovery, delivery and returns, are all very likely to take place and will put a strain on the transportation market. Empty containers will enhance the congestion at the ports as the equipment imbalance remains an issue and will take many vessel strings and ongoing support of carriers to reposition them.

Airfreight Capacity from China has been severely impacted by the passenger travel band to and from China, which has relied on the mix of space and regular frequency that passenger aircraft provided. Removal of this equipment now limits cargo operations to cargo aircraft only and charters and has also reduced the number of active carriers in the market. Congestion has been categorized as SEVERE and is mounting, rates are rising quickly and transit times are increasing. The current environment is a spot quote market.

Airfreight Rates from China have doubled in recent weeks with rates already on average over $5 to $7 per kg based on the rate type, China origin and major USA airport destination, and announced to rise up again this weekend another $1 to $2 per kg. Analysts predict rates could exceed $10 per kg as the strain on capacity continues. Travel bans just announced recently to and from **Europe** are now impacting this market to the USA as well.

S.E. Asia and Indian Sub-Continent Regions report surge in activity, volumes, as well as congestion, increased rates, backlogs, equipment imbalances and cargo rolling.

U.S. Exports have seen rates rise, surcharges implemented and expect the same challenges in equipment, driver shortages and congestion at rail ramps and ocean terminals once the impact is recognized on the inbound volumes as expected.

U.S. Warehouses will likely see a demand in space as surges of cargo take place as inbound shipments arrive and more importantly product redirection or temporary holding is needed, due to limitations by retailers or reduced capabilities in distribution centers coping with COVID-19 action plans. Amazon recently announced that it would be suspending all non-essential shipments to their warehouses in a statement that noted "We are temporarily prioritizing household staples, medical supplies, and other high-demand products coming into our fulfillment centers so that we can more quickly receive, restock, and deliver these products to customers."

COVID-19 Contingency Plans are already being implemented, as both Federal and State guidance and regulations are implemented across the country. **American Shipping Company has already exercised part of our plans in areas directly impacted**. Fortunately, the transportation industry is **"essential"** to the current situation, and **we will continue to remain open to support all shipping activities.** However, do note that delays and disruptions are likely to be experienced as we work around contingency plans of others within the supply chain, man that have reduced their windows of operation, constrained by employees under self-quarantines, or having to observe restrictions specific to their business or industry.

Uncertainty continues as more guidelines are implemented and decisions are made to reduce or completely seize operations. We again, highly recommend that you **prepare for disruptions, increased costs, and potential obstacles for weeks to come.** This includes, but is not limited to increased transportation costs, demurrage/storage, detention, and congestion surcharges, regardless of the mode or service. This should be exercised on a global basis as well. Please do your best to **plan in advance and communicate** with all parties involved in your transactions.

We will continue to keep you advised as to what we learn in the market and continue to highlight anything of significance.

We continue to extend our concerns and safe wellbeing to our community of employees, customers, and all partners we do business with on a global basis.

Do not hesitate to contact us should you have any questions or need further guidance specific to your supply chain needs.

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