

SUPPLY CHAIN PROBLEMS DIFFICULT TO SOLVE

The large commercial pipeline that contributes to one trillion dollars' worth of merchandise from Asia to the US is clogged, thus creating substantial shortages and delays of many products that the US relies on (toys, clothing, electronics and furniture). Dozens of cargo vessels are stuck off the California coast, also contributing to delivery disruptions. As the holiday season approaches, companies are forced to place precautionary orders to avoid running out of goods. Chief growth officer at SEKO Logistics, Brian Bourke, believes that these shortages will get worse before they get better. Most likely, the holiday season of 2021 will be the worst in terms of supply chain issues.

While the pandemic certainly contributed to supply chain problems, the sudden orders for medical equipment, hand sanitizer, and masks wound up revealing the weaknesses in a system that was not optimal in the first place. Americans accustomed to getting products quickly and companies unwilling to carry large amounts of products in inventory had become used to a "just in time" inventory system. Further, the US was not using the kind of systems other international ports had adopted to track incoming and outgoing shipments. Rotterdam, Europe's largest port, uses software called "PortXchange" that allows everyone involved in the shipping process to see information related to a cargo vessel's arrival, allowing dock workers, truckers, and other carriers to better plan for personnel and equipment needs. Los Angeles and New Orleans are just testing this system now, according to the Washington Post. What happens now at East and West Coast US ports is that cargo ships arrive to find that there are either not enough workers to unload the ships, not enough truckers to transport the goods, or nowhere to place the empty shipping containers. Consequently, the cargo is typically sitting offshore near the port until it can be unloaded and moved to its final destination. Steven Trombley, the facilities manager of APM Terminals, has a week's worth of truck chassis ready to go, but not enough truckers to do the job. All of these delays add to shipping costs. The cost of shipping containers has been at a record high, near four times as much as what it was in January of 2021. Empty shipping containers are also a problem. When demand for shipping rises, carriers can afford to be selective in what they will transport. For example, rather than send containers inland to pick up American farm exports, the carriers often choose to speed those empty containers back to Asia to collect higher shipping rates with a new load of Asian goods. According to CNBC, carriers rejected hundreds of millions of agricultural exports in October and November of 2020. Supply shortages are now expected to last through 2022. Ports on the East Coast have seen higher import volumes as companies try to avoid the congestion at the California ports.

According to Forbes, there are certain measures businesses can take to mitigate the effects of such supply chain issues in the future. One approach is for companies to find additional sources of raw materials or critical manufactured items so that if a single plant in Asia closes due to a labor shortage or other crisis, there is another supplier to rely on. Other companies, like Amazon, are building their own transportation networks of trucks to be able to control at least one portion of the supply chain. Further mechanization of supply chain work can also reduce the problem of labor shortages. None of these measures can be put in place overnight, so resolution of the current problems will take time.

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