

Trade Talk Tuesday

The Future of Supply Chain

April 12, 2022

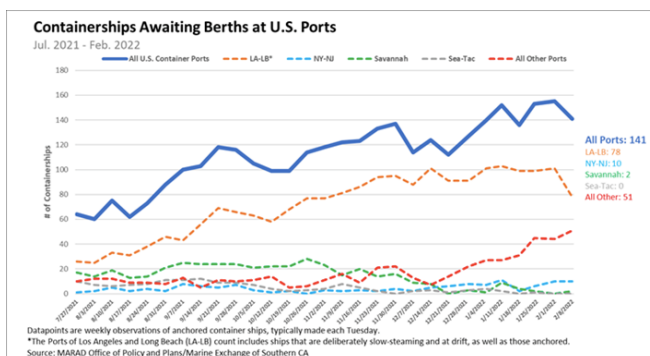
Thank you for joining the U.S. Commercial Service, along with the West and East Michigan District Export Councils, for 'Trade Talk Tuesday: The Future of Supply Chain'. This handout highlights what was discussed during the webinar, along with additional insight and resources.

Background on supply chain:

- The efficiency of U.S. supply chains is a critical factor supporting the global competitiveness of the U.S. economy.
- Transactions within global supply chains account for over 76% of world trade, and policies and practices that impact the configuration of supply chains can radically disrupt or redirect global trade patterns.
- U.S. cross-border exports of distribution services totaled \$49.4 billion, or 6.3 percent of all U.S. cross-border services exports. Top markets for U.S. cross-border distribution exports include the United Kingdom, Japan, and Germany.

What are some of the challenges we are facing in supply chain today?

- A shift from services to goods consumption due to the pandemic, paired with both pandemic-induced supply and labor challenges and our aging infrastructure, have caused disruptions across supply chains.
- A sustained increase in containerized imports to U.S. ports compared to pre-pandemic levels has been observed. Surges in cargo volume have put unprecedented levels of stress on U.S. supply chains – particularly port, rail, and trucking systems that move goods within and out of the country.
- Shipping and container costs have skyrocketed. Since the middle of 2021, the number of container ships waiting for a dock at a U.S. port has more than doubled, though recently, has declined for some of the largest U.S. container ports.



Export Resources

- **U.S. Commercial Service** — The U.S. Commercial Service is part of the U.S. Department of Commerce's International Trade Administration and helps U.S. companies get started in exporting or increase sales in global markets through a full range of expertise in international trade. The U.S. Commercial Service has trade professionals in over 100 U.S. cities and in more than 75 countries.

Develop your international business strategy, choose the best market for your product or service, and evaluate potential overseas business partners by connecting with your local U.S. Commercial Service Specialist (see page 5 of handout).

- **East & West Michigan District Export Councils (DEC)** — The Michigan DEC's are comprised of experienced volunteers who work in conjunction with the U.S. Commercial Service through hands-on consulting, educational and resource services to assist small and medium-sized businesses in growing internationally.

- **East Michigan DEC** - www.eastmichigandec.org
- **West Michigan DEC** - www.exportwestmichigan.com



Paul Jarzombek's 8 Tips on How Companies Can Prepare for Supply Chain Challenges:

1. Plan ahead and then plan some more. Allow more time in your booking/planning/lead time to give your freight forwarder the ability to search the market for additional vessel/flight options and different routings that may cost less.
2. Expect delays and problems. Under-promise your overseas customers and over-perform by presenting pessimistic shipping dates and advising that all rates/quotes are subject to change. We are advising our clients to add 2 weeks to any ocean freight transit time and 1 week to any airfreight transit time they are given and at least 20% to freight costs to try and account for changes in transit time and costs.
3. When possible, ship smaller amounts. Take a large order and break it up into smaller shipments, as these have been moving closer to schedule than larger full container shipments. This adds costs but keeps product moving to your overseas customers.
4. Increase the weight/size threshold your company may have historically used for airfreight since airfreight moves faster (even during COVID) than ocean freight. Airfreight shipments are seriously delayed, but nothing like ocean freight shipments which are at historically long transit times with terrible port congestion everywhere in the world.
5. Try to arrange with your overseas customers to buy more. If you can get a shipment to them that is 1.5x what they normally buy from you, they will have more inventory to live off of when shipping delays occur.
6. If the country your customer is located in is experiencing really bad port/airport delays, see if they can accept the cargo somewhere close but in another country. Common "in transit" countries are The Netherlands, U.A.E., Singapore, Korea, Panama, etc.
7. Actively monitor new and emerging threats for all potential risk areas in your supply chain. Create a contingency plan for supply chain emergencies – important steps could include building up inventory, identifying backup suppliers, and diversifying your supply network.

Export Resources (cont.)

- **Additional Resources** — The U.S. Commercial Service partners with a number of organizations in order to better support Michigan's exporters. See our partners: <https://www.trade.gov/cs-grand-rapids-local-partners>.



Paul Jarzombek's 8 Tips on How Companies Can Prepare for Supply Chain Challenges (cont'd)

8. Be cautious about committing to penalties, as you'll have little control of your freight once it has left your facility; review your Letters of Credit terms.

Sources to stay updated on developments in supply chain:

- [The Office of Supply Chain, Professional and Business Services](#): addresses policy and regulatory issues to ensure that U.S. supply chains are the most cost-effective, efficient, and secure in the world; regular news and updates in the area of supply chain.
- [Advisory Committee on Supply Chain Competitiveness](#): provides detailed advice on national freight infrastructure and policy to support U.S. supply chain and export competitiveness.
- [Freight Logistics Optimization Works \(FLOW\)](#): key freight information exchange between diverse perspectives across the goods movement supply chain, including private businesses, warehousing, logistics companies, ports, and more.
- [USDOT's Transportation Supply Chain Indicators Tracker](#): gives updates on key supply chain data and an in-depth look at how goods are moving through supply chains, where there is progress, and where more work is needed.

Other helpful supply chain-related resources:

- The [Council of Supply Chain Management Professionals](#) is a trade association that educates, develops, and connects supply chain professionals at various stages in their careers. Mark Baxa, President of the CSCMP, is the featured keynote at Michigan World Trade Week where he will discuss industry trends.
- [List](#) of freight forwarders, customs brokers, and other service providers in Michigan
- New York Times interesting reads on supply chain — [“This is What Happens when Globalization Breaks Down”](#), [“Trucking Companies Train You on the Job. Just Don't Try to Quit.”](#)



Getting Started—First Steps for [Navigating Shipping and Logistics](#) for New Exporters

1. Determine your product's [harmonized schedule \(HS\)](#) or [schedule B](#) classification for customs purposes. Include this number on your export paperwork to help customs clear your product and assess any duties.
2. Communicate with your buyer if transportation and tariffs are included in your quote. Document this using [Incoterms](#) on your invoice.
3. Select the transportation mode that best fits your needs [air, freight, full container load (FCL), less than container load (LCL)].
4. Decide if your logistics provider will file your data with the U.S. Government OR if your company will enter the information using the [Automated Export System \(AES Direct\)](#).
5. Work with your freight provider, buyer, or the U.S. Commercial service to identify shipping document requirements by destination.

Looking Ahead - The Biden-Harris Administration's Recommendations to Strengthen Supply Chain Resilience and Mitigate Future Disruptions:

1. Rebuild domestic production and innovation capabilities
2. Support the development of markets that invest in workers, sustainability, and quality
3. Leverage the Federal government's role as a purchaser of and investor in critical goods
4. Strengthen international trade rules and trade enforcement mechanisms
5. Work with allies and partners to decrease vulnerabilities in global supply chains.



Meet our featured speaker, Paul Jarzombek!

Paul Jarzombek is the President & CEO of LR International, an international freight forwarding company with a wide range of capabilities, known for their flexibility in creating customized systems for clients to manage their supply chain needs worldwide. Mr. Jarzombek has been working in international trade for over 32 years and began his career working for European and Japanese based freight forwarding companies. Trained in Operations Management with a specialization in Ocean freight project management, he has been a partner with LRI since 1994. Mr. Jarzombek is responsible for LRI's overall operations performance including quality standards, international agent and vendor relations, as well as worldwide customer service and satisfaction. He is also charged with shaping the direction and culture at LRI as they look forward to future growth and development.



LRI

LR INTERNATIONAL

Mr. Jarzombek was awarded the Certified Global Business Professional certification in 2014 from Nasbite International, one of only 1,500 recipients worldwide. Mr. Jarzombek holds a Bachelor of Science Degree in Marketing from Northeastern Illinois University as well as a Master's Certificate in Management from North Central College. Mr. Jarzombek is certified to process dangerous goods by the International Civil Aviation Organization as well as by the International Maritime Organization. As a member of the LRI Senior Management Team, Mr. Jarzombek participates in teaching and lecturing on International business topics.

*Thank you for
joining us!*

- The U.S. Commercial Service and the
West & East Michigan DECs



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West Michigan District Export Council



Counseling

West Michigan District Export Council (DEC) Members provide practical, hands-on consulting for small and medium sized companies to assist them with export sales.



Trade Education

For current trade resources and events, view the West Michigan District Council Website: <https://www.exportwestmichigan.com/>



Mentoring

Mentees have access to DEC members who are experts in fields such as logistics, finances, sales, marketing, accounting, executive strategy, and international trade law.



U.S. Commercial Service Partner

DEC Members are officially appointed by the U.S. Secretary of Commerce. Members partner with the U.S. Department of Commerce's U.S. Commercial Service to provide valuable resources for exporters.

To connect with DEC members, contact:
Kendra Kuo, Director
U.S. Commercial Service - Grand Rapids
616-458-3564
Kendra.Kuo@trade.gov



SERVICES AND RESOURCES INCLUDE:

Business expertise*

- Developing export strategies
- Identifying international markets
- Vetting international partners
- Evaluating logistics options
- Screening trade finance options
- Determining landed costs
- Understanding trade documents
- Identifying legal and regulatory issues

Website resources

- DEC Member bios
- Calendar of upcoming events
- Recorded trade education webinars
- DEC member authored trade articles
- Links to key government resources

*Initial consultation meetings are free. Further costs will be discussed with your District Export Council adviser should you require additional assistance from service providers.

DEC SPONSORS AND EMPLOYERS:

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Bennett Pump Company

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Dematic

Foster Swift Collins & Smith PC

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Grand Valley State University's
Van Andel Global Trade Center

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Michigan Economic
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Supply Chain Solutions

Trueline Health

U.S. Commercial Service



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Jennifer.Moll@trade.gov

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DEC SPONSORS AND EMPLOYERS

Michigan Economic Development Corporation

Michigan State University International Business Center

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