

CONTRACT ADMINISTRATION & PROCUREMENT SERVICES

Supply Chain Update

Manufacturing and supply chain impacts

The marketplace continues to be impacted by the pandemic and global imbalances. The disruption to manufacturing and supply chain is resulting in delivery delays, labor shortages and price increases. The following are contributing factors:

- Natural disasters and virus outbreaks causing disruption
- Scarcity and inflation of raw materials like pulp, resin, plastics, steel, rubber, oil and more
- Constrained labor forces exacerbated by COVID-19 absenteeism
- Component shortages of semiconductor chip productions severely constrained impacting a wide array of products and trucking industry
- Trailer makers facing various component and material shortages
- Warehouse labor shortages due to COVID-19 exposure and quarantine rules
- Corrugate in high demand impacting cost and availability of packaging

Effect on transportation and shipping.

The current demand has risen to record levels with no sign of demand easing any time soon.

Trucking industry:

- Reduction in drivers (currently 6:1 ration trailer to driver) caused by January 2020 roll out of FMCSA Drug and Alcohol clearinghouse removing 60,000 drivers nationally, with only 14% completing the return to duty process
- Trucking driver schools were shut down during COVID prohibiting the training and certification of new drivers
- Surge in transportation and fuel costs with truckload rates up 30%+ vs. last year and diesel fuel prices up 30%+ vs last year
- Ongoing supply chain challenges and shipping delays related to manufacturing

Ocean freight:

- Shipping capacity restrictions and freight delays due to port congestion and closures
- Container costs increasing from ~\$5K to ~\$30K per container to ship