

Weekly Market Update

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Latest News

U.S. to double tariffs on Canadian softwood lumber imports. Will raise producer costs and cut profits but unlikely to affect prices to consumers, analysts. Say. A move by the U.S. Commerce Department to increase preliminary tariffs on softwood lumber imports from Canada, if finalized, will raise producer costs and cut into their profits but is unlikely to affect prices to consumers of wood products, analysts say. The department's recommendation to more than double the "all others" preliminary countervailing and anti-dumping rate to 18.32 per cent from 8.99 per cent on Friday drew criticism from the Canadian government and industry and applause from the lumber industry south of the border. The increase is unlikely to result in higher lumber prices because they've more than doubled in the past year to all-time record highs, said Kevin Mason, managing director of ERA Forest Products Research. "Prices are supply-and-demand driven," he said. "(Tariffs) drive the cost up for producers but it's not going to affect prices." Because it's a preliminary tariff rate, current cash deposit rates will continue to apply until the finalized rates are published, likely in November. "U.S. duties on Canadian softwood lumber products are a tax on the American people," said Mary Ng, minister of Small Business, Export Promotion and International Trade, in a statement. "We will keep challenging these unwarranted and damaging duties through all available avenues. We remain confident that a negotiated solution to this long-standing trade issue is not only possible, but in the best interest of both our countries."

Sea Freight

Port of Montreal: On May 19th the Port of Montreal provided the following update. Less than three weeks after the end of the dockworkers' strike and the resumption of activities at the Port of Montreal, our efforts are well underway to fully clear the backlog and ensure a return to normalcy as quickly as possible. At present, approximately 7,000 TEUs (twenty-foot equivalent units) to be shipped by rail are still on the terminals, considerably fewer than last week. The container dwell time has also notably been reduced; nearly at 7 days last week, we currently have an average dwell of 5.4 days. We thank our supply chain partners, including the trucking and rail carriers, CN and CP, for their continued cooperation in this effort to turn things around despite the considerable challenges involved. Rest assured that our teams, same as our partners' teams, remain completely mobilized to fully restore the situation as soon as possible, an operation that could take a few more weeks.

X-Press Pearl was denied entry in India and Qatar before catching fire off Colombo. The burning ship at the centre of an environmental catastrophe off Sri Lanka was denied access at two ports, Splash can exclusively reveal. Fire has ravaged the entire length of the three-month-old, 2,700 teu X-Press Pearl with its owner now accepting a constructive total loss is inevitable. The ship, which caught fire while at anchorage off Colombo last Thursday, suffered an explosion yesterday, necessitating the swift evacuation of the crew. General Average has been declared on the X-Press Feeders ship, which was carrying around 25 tons of acid among the 1,486 containers onboard. Debris from the burning containership has washed ashore and locals have been warned not to touch any of it as it could

be contaminated with harmful chemicals. The full story of how the ship came to meet its likely fiery end in Sri Lanka has overtones of previous ship catastrophes such as the 2002 Prestige tanker incident and will likely fan the flames in the ongoing places of refuge debate.

U.S. exporters continue to encounter rough sailing in 2021. Paul Snell, CEO British - American Shipping, warned that the recent consolidation of ocean carriers into now 17 carriers into a smaller number of alliances has been accompanied by downsizing and automation in which carriers “mimic each other” in emphasizing imports over exports and with the unintended effect of “devaluing” U.S. exporters. This consolidation is causing international trade to favor imports over exports to the United States and is creating long-term obstacles for U.S. exporters. However, Snell emphasized that challenges faced by exporters can be mitigated by investing more in marketing their products abroad including in their logistics staff. Exporters must accept that as import freight rates rise so must export freight rates. Snell said logistics experts play an increasingly important role in ensuring exports arrive in a timely manner and that shippers who emphasize the lowest price are likely to experience the negative results of what they did not wish to invest in. Snell said that exporters needed to invest in their relationship with trucker and rail partners and have a reserve of truckers who could help provide support in case of an emergency. He said that exporters were relying on too much free time for cargoes to await pick-ups and had to understand that in the new more cost-efficient environment, carriers need to be more efficient. Making a booking on several different ships causes problems for carriers and has led to carriers fining exporters for bookings they do not utilize.

Trucking

Montreal bridge closure to affect truck traffic Ile-aux-Tourtes bridge connecting Montreal with Trans-Canada Highway to Ontario closed for safety. One of the main bridges motorists use to travel from Montreal to Ontario on the Trans-Canada Highway system has been closed for safety reasons. Quebec Transport Minister Francois Bonnardel said Thursday on Twitter engineers decided to close the Ile-aux-Tourtes bridge for the safety of its users. A Transport Department news release said workers observed damage to reinforcing rods that could have weakened the structure of the aging bridge. Shortly after 5 p.m., traffic cameras showed access to the bridge closed off, and the Transport Department said the closure is expected to have significant repercussions on traffic. The Ile-aux-Tourtes bridge links the western tip of the Island of Montreal with the town of Vaudreuil-Dorion, Que., and is used by 87,000 vehicles a day, 10 per cent of which are trucks. The bridge was put into service in 1965, and the Quebec government says it is in the planning stages of rebuilding the structure.

Warehousing

Industrial vacancies hit new record low. Rents push to all-time high in Canadian market, according to JLL research. The vacancy rate for industrial real estate in Canada dropped to an average of 2.5 percent in the first quarter of 2021, a new historic low, says real estate firm JLL Canada. At the same time, rents reached \$10.10 per square foot, another new record. Counter to trend, Toronto, which is the country’s largest industrial market, saw a slight easing in vacancy, while still remaining below two percent. Vancouver, Montreal and Ottawa all saw vacancies decline. In Alberta, both Calgary and Edmonton saw significant drops as well. Although \$10.10 a square foot is the all-time high average rental in Canada, the rate of increase has slowed, JLL says in its 2021 Q1 report. Last year the rate of increase was in the double digits. Now it has slowed to 5.3 percent year over year. In Montreal, however, where vacancy is the lowest, rates are soaring, spiking up 12.8 percent from the same quarter in 2020 and 7.1 percent from the previous quarter.

Market Sources

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Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

If you have any questions, please contact your local KWE representative.

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