



# CURRENT STATE OF FREIGHT NETWORK AND SUPPLY CHAIN PRESSURES

NOVEMBER 2021

# DISRUPTION TO GLOBAL SUPPLY CHAINS

ECONOMIC CONSEQUENCE OF ONGOING COVID PANDEMIC



Companies around the globe are experiencing supply chain disruptions, higher input costs and some issues sourcing labor.

# SUPPLY CHAIN CHAOS

Kickstarted by the COVID pandemic, supply chain woes are driven by increased demand, supply volatility, reduced freight capacity and overall network congestion.



# THE SPECIFICS

## Increased Demand

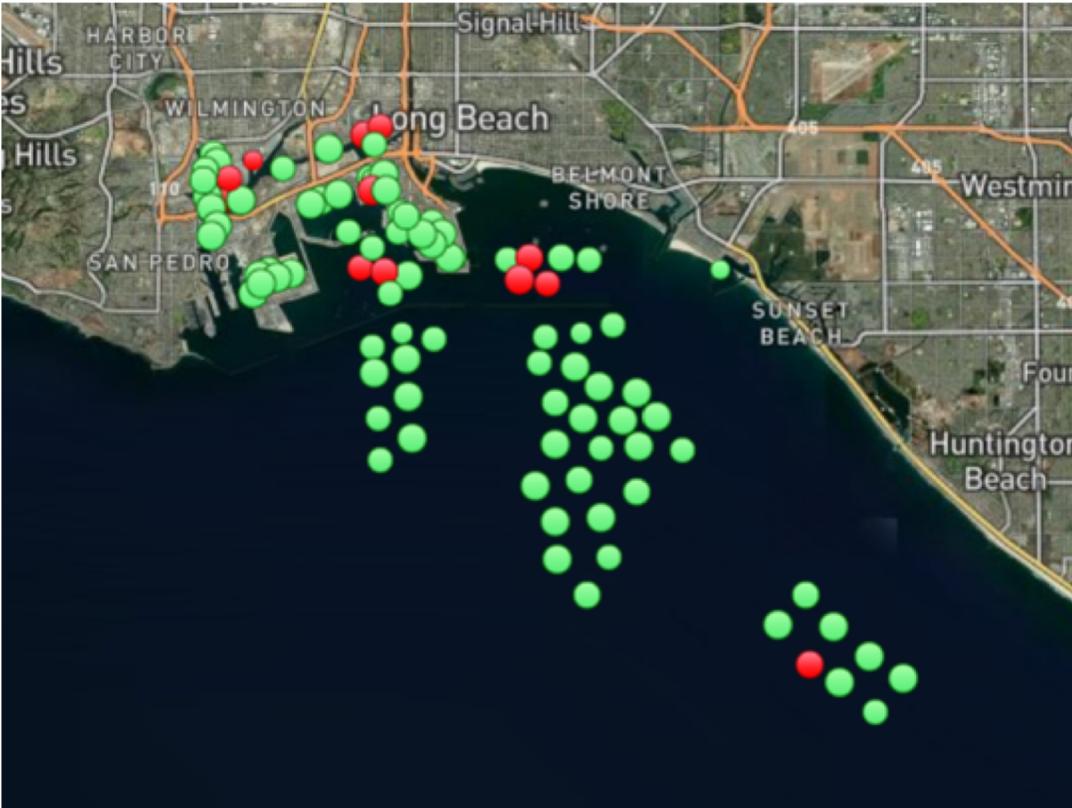
- Elevated consumer spending
- Record high imports and exports
- Rail out of capacity
  - More pressure on trucks to transport goods

## Reduced Capacity

- Carrier bankruptcies, resulting in less capacity
- Driver shortages
  - Increased drug testing; financial assistance from unemployment is favorable
  - Drivers moving to alternative industries for employment (i.e. Construction)
- Lower efficiency
  - COVID-19 protocols

# PORTS IN CALIFORNIA

## ILLUSTRATIVE OF SUPPLY CHAIN FIASCO



- The major backlog of container ships at the ports of Los Angeles and Long Beach is the worst its ever been, with 100 ships waiting to enter and unload as of mid-October 2021
- That number breaks September 2021's record of 97 vessels. To put it into context, there would typically be about 17 ships at anchor in pre-pandemic times.
- The two Southern California ports account for 40% of all shipping containers entering the U.S.

# 2021 FREIGHT DEMAND

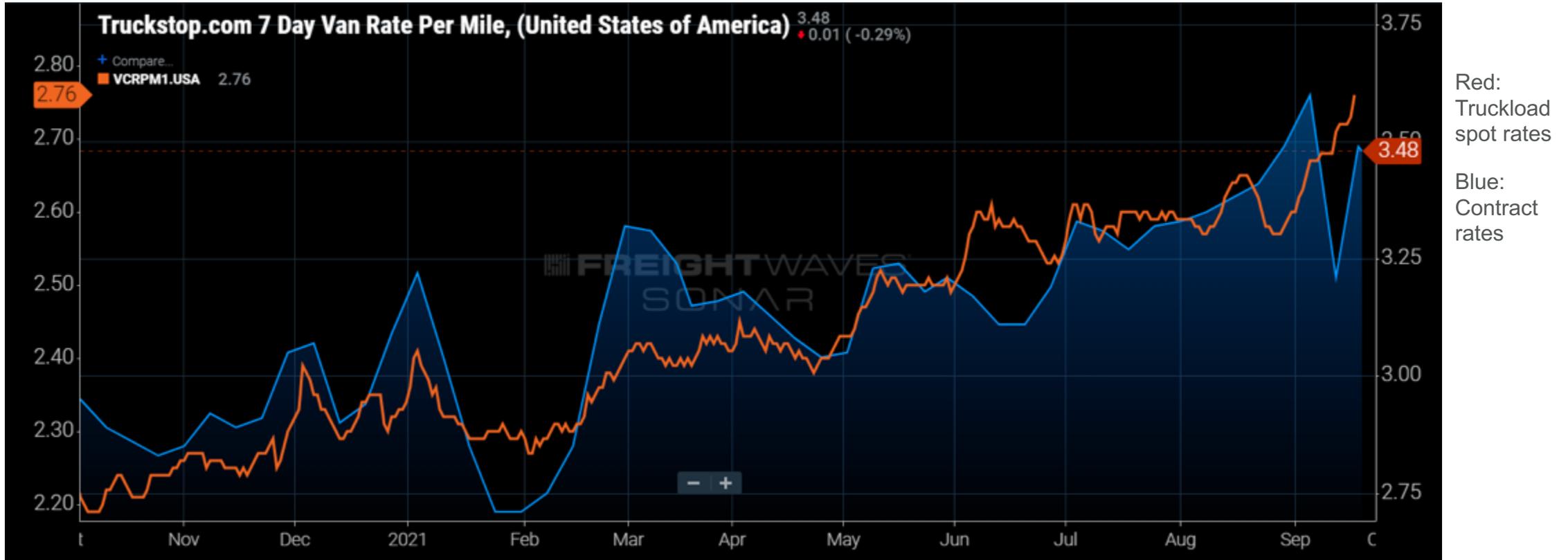
## RECORD LEVEL DEMAND



The FreightWaves Outbound Tender Volume Index measures North American demand on its carrier base. Following a staggering increase in demand in 2020, compared to previous years, demand remains exceedingly high.

# 2021 FREIGHT RATE/MILES

SURGING DEMAND TRANSLATED TO HIGHER RATES



FreightWaves shows freight rates remain elevated, facing more inflationary pressures

# INTERNATIONAL IMPACTS

- The cost of shipping a container of goods has quadrupled in a year\*
- Difficulties managing inbound and outbound freight in West and East Coast ports
  - Shortage of warehouse space
  - Shortage of containers, chassis, drayage drivers, and dock workers
  - Inbound cargo volumes significantly higher



# WAYS AVIENT IS MITIGATING IMPACT

## We have:

- Secured carriers earlier to optimize service and cost
- Adjusted warehousing protocols to protect employees and drivers, while also maintaining efficiency

## We continue to:

- Review warehousing network to improve logistics
- Search for more efficiencies as part of our process improvement culture
- Maintain long-standing relationships with reliable carriers to provide steady service
- Actively evaluate options for carrier networks through regular transportation bid events
- Proactively partner with our customers to reduce risk and volatility in the current environment as we work to continuously build a more durable and robust supply chain



# HOW OUR CUSTOMERS CAN HELP

- Consider extended or flexible pick-up and delivery times
- Clearly communicate check-in and check-out processes
- Provide extra lead time for orders (especially for Bulk + TL), minimize last-minute changes
- Revisit and update 2022 projected requirements

Contact your Avient sales or customer service representative at any time with questions or concerns, or call our service center at 630-972-0505.